

# Benchmarking - HR Practices

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**Abstract** - In 21<sup>st</sup> century, organisations can be successful only if they respond to the environmental changes. 21<sup>st</sup> century is the era of cut throat competition and innovation and only progressive companies can get an edge. To gain competitive advantage, the companies need to innovate the product, processes etc. Companies need to adopt changing technology, changing customer preferences, changing market concept and also changes with various issues while managing the people. Therefore to survive in such volatile market, successful innovation proves to be only key that the organisations should hold.

Conscious efforts should be made by Human Resource Department to transform its practices. This paper points out the HR practices followed in the industries and the benchmarks established by the organizations to sustain and progress in the global competition.

The paper is based on secondary data, with the following objectives

- To highlight on the need for innovative HR practices adopted by the organizations
- To point out the performance indicators so that Human Resource Strategy can be measured.
- To highlight the importance of Benchmarking HR practices
- To illustrate number of examples of the benchmarks related with HR practices, established by the Indian industries as well as MNCs.

**Key words:** benchmark, HR practices, MNCs, performance indicators.

## I. INTRODUCTION

In 21<sup>st</sup> century, organisations can be successful only if they respond to the environmental changes. 21<sup>st</sup> century is the era of cut throat competition and innovation and only progressive companies can get an edge. To gain competitive advantage, the companies need to innovate the product, processes etc. Companies need to adopt changing technology, changing customer preferences, changing market concept and also changes with various issues while managing the people. Therefore to survive in such volatile market, successful innovation proves to be only key that the organisations should hold.

Today in any company, **HR function is considered as a strategic partner**. It is associated with formulation and implementation of the company's strategies through HR activities such as recruitment, training and development, promotion etc .If such HR practices are innovative, then they build competent and capable human resource which leads to superior and more efficient performances. This further leads to creative and innovative minds of business ideas and strategies for future. When the ideas are conceived by the employees as well as organisations, it leads to high performance and continued success.

'Innovativeness for effectiveness' is very critical as the managers cannot predict all the difficulties or contingencies and hence cannot anticipate the activities that need employees to perform.

**Work behavior** promises for long term organizational success and therefore appreciated by the management. as it purportes to improve organizational efficiency, effectiveness and adaptability. For **Organizational Citizenship Behavior** (i.e. doing jobs beyond what is required without expecting to be rewarded for it;) the HR policies must be integrated with business policies. The HR Professionals need to be rational and should balance while deciding terms of centralization or decentralization of HR practices. For sustenance in the global competition HR practices should be geocentric or regiocentric rather than ethnocentric.

Traditional Hr practices were industry centered, were developed for a short duration and focused on internal HR issues like promotions, transfers etc. Primary goal was to increase productivity and therefore concentrated on operational matters and on solving problems. A benchmark of strategic HR management is established for the growth, development and global sustenance of the industries. The

companies are looking for long term success for which improving productivity of employees plays a major role. Therefore focusing on managing employees by creating value for them and treating them as assets of the organization is the innovation in the field of HR practices. Organisations need to identify key result areas where strategy can be implemented for employee satisfaction.

## II. BENCHMARKS

Benchmark is a tool which helps the companies to improve business processes. It is the process which identifies, understands and adapts outstanding practices from organizations anywhere in the world to help to improve its performance.

**Benchmarking** serves the following purposes

- ♣ The company can examine HR practices of other companies and can introspect and change its own HR practices
  - ♣ The company can learn from the mistakes of other companies
  - ♣ The company can encourage active learning by creating sound environment.
  - ♣ The company can motivate its employees by showing them the benchmarks of other companies.
  - ♣ The managers can set the targets for each employee to make their company 'best' and can have focused efforts on specified programmes.
- By benchmarking one can know about:
- ♣ Various processes are suitable to the organization and the responsible employee conducting them
  - ♣ Weak areas or areas having problems
  - ♣ Employees contributing the most to the critical success factors
  - ♣ Performance measures so that the effectiveness of the actions can be determined.

Thus benchmarking is a strategic activity aiming at continuous improvement. Following are the benchmarks established by various renowned companies as well as MNCs operating globally

### Dimensions of Best Practices

#### 1 Pooling and Retention :

It is becoming challenging job for the organisations to attract i.e. employ and retain the employees. Organisations are adopting various ways to pool the talent and to retain them

#### 2 Development and Growth:

Companies have make efforts to develop the employees through training, job rotations etc and thus provide them opportunity to grow. They understand the aspirations of the employees and respect them by making various efforts for the development and growth of the employees.

### 3 Engagement and Alignment:

Employee engagement is a buzzword to retain the focus of organizational leadership and many companies keep launching new practices to woo employees. The companies are using innovative practices like "Loyalty Interview"- to find out what is it that makes its employees stay on. Companies are also taking the feedback from loyal employees, conducting exit interviews to find out about engagement and alignment of the employees

### 4 Transition:

The employees get signals about the organisation's care and concern for them through movement of talent within the organization and outside of the organization .Right from the induction, which is often the first impression the employees carries, to the exit interview, the sensitivity displayed by the organization has a lasting impact on all employees.

The following examples reflect various benchmarks established by reputed companies as well as MNCs all over the globe

## III. BENCHMARKS OF VARIOUS COMPANIES

### ➤ Benchmarks at GE (General Electric, U.S.A.)

GE is a global company producing many products, right from a refrigerator to the illustrious launch of the Mars Observer spacecraft. It works on the basis of slogan '**Imagination at Work**'. It emphasises on 'innovation' and serves the customers in more than 100 countries. It employs more than three lakhs of people worldwide. It produces from kitchen appliances to aircraft engines and plastics. The company has strong leadership and is famous for its leadership talent. Learning sessions are conducted where leaders from the company as well as outside companies brainstorm, share intellectual ideas and make efforts to focus on generating the best ideas.

GE is very **critical in absorbing the talent** and focuses on **behavioural skills of the potential employee at the time of interview** in order to predict behaviour pattern of the employee. "If you have acquisitions, it becomes very important to make sure you retain the good talent. If you buy a company because of its industry expertise or its market position, make sure that you retain the people that make it work and that they feel really good about the most recent transaction."- is the Mantra for the company. GE views HR as a 'critical component'. In their overall business strategy along with many other factors, this factor of Human Resource also enjoys position. It builds a strong, result driven workforce as it fuses its business strategy with HR strategy.

In order to keep HR alignment with business and outside world in the , GE considers **communication as the most critical element**. "The most important thing that we see

with the HR function is that there always is a constant dialogue with a good employee or an employee that needs to improve. We don't like to hide things in GE."

"The centrepiece of GE's commitment to excellence in leadership development is the John F. Welch Leadership Center at Crotonville, the world's **first major corporate business school**. Nestled in the Hudson River Valley in Ossining, New York, the 53-acre campus was opened in 1956 when GE **embarked on a campaign to train and educate managers** better. Today Crotonville plays a crucial role as an agent of cultural change at GE with a mission to create, identify and transfer organizational learning to enhance GE growth and competitiveness worldwide. The company invests US\$1 billion in training and development annually to wean individuals into possessing and nurturing the kind of skills and traits necessary to become a leader.

The company measures NPS i. e. **Net Promoter Score**. It is a **customer loyalty metric** that measures customers' willingness to not only return for another purchase or service but also make a recommendation to their family, friends or colleagues. It is a powerful and effective technique, which can greatly increase a company's revenue if used properly. Scores higher than 0 are typically considered to be good and scores above 50 are considered to be excellent.

#### ➤ **Benchmarks at Toyota**

With over 255 Billion US Dollar in annual revenue and having manufactured over 200 million automobiles, Toyota is an iconic organization that has revolutionised an entire industry with its revolutionary practices aimed at operational excellence. Incorporated in 1937, Toyota today manufactures a huge range of cars, Sports utility vehicles and Luxury sedans across a wide price band through its factories across the globe.

Because people make our automobiles, nothing gets started until we **train and educate** our people." As seen in these words, which were expressed by Honorary Advisor Eiji Toyoda, Toyota seeks to develop human resources through the **activity of making things**. Toyota believes that the development of human resources requires the handing down of values and perspectives. In conjunction with the geographic expansion of business and the growth of business areas, undertaking global actions for the development of human resources has become a priority issue. Toyota is building both **tangible (a new learning facility) and intangible (course content)** structures relating to team member development that ensures a secure and steady flow of qualified human resources to conduct Toyota's global business in the 21st century.

In January 2002, the **Toyota Institute** was established as an internal human-resource development organization that aims to reinforce the organic integration of global Toyota

companies by way of sharing the Toyota Way as well as to promote self-sufficiency. The purpose behind the Toyota Institute's establishment is to promote the human resources development of global Toyota in order to promote true globalization and to realize the advancement of Toyota's core values.

**Toyota** has best practices which aim at process & operational excellence. This is the Global Benchmark. The company lists out its values and guidelines as:

Respect for People: - the company makes efforts to understand each other, to shoulder responsibility and to build mutual trust amongst workforce.

Teamwork – The company stimulates personal and professional growth, it offers development opportunities, and thereby tries to maximize individual and team performance.

Continuous Improvement is aimed at by establishing:

Challenge –long-term vision, meet challenges with courage and creativity to realise the dream

- Kaizen – improve business operations continuously , always drive innovation and evolution
- Genchi genbutsu – go to the source to find the facts, make correct decisions, build consensus, and achieve goals at best speed.

Due to all these principles Toyota is known across the world as a **true leader** in Manufacturing Processes and Production techniques and Methodologies.

#### ➤ **Benchmark at Tata Steel**

Tata Group of Companies is a employment provider for a large number of people i. e over three lakh fifty thousand people worldwide in the seven business sectors .It is the largest employer in India in the Private Sector. It operations are done keeping in view the commitment towards social and community responsibilities that it has shown in the past. Tata Steel is an equal opportunity employer and does not discriminate their employees on the basis of race, caste, religion, colour, ancestry, marital status, sex, age or nationality. The Company has Affirmative **Action Policy** which promotes equal access to its employment and opportunities and all decisions are based on the merit. **Tata Code of Conduct sets out 'respect for equal opportunity'** .**Ethics Counselors** monitors HR Policy and Affirmative Action Policy and it also has **grievance redressal mechanism**.

The company has **The Women Empowerment Cell through which** the issues and concerns of female employees are examined and addressed and the cell ensures that they do not miss out on any growth opportunity. Thus it encourages female employees in developing their career.

The Gas Authority of India Limited (GAIL) made a study on "Benchmarking Corporate Social Responsibility

Activities and revealed that the company has created a benchmark in corporate social responsibility. The Energy & Resources Institute (TERI) Award was conferred on it. This was in recognition of corporate leadership for good corporate citizenship and sustainable initiatives.

The company tries to return the resources to the community that it takes from them for its business processes. Therefore considerable part of its profit is reserved for upliftment of the community near its operation. The objective is to improve quality of life of people.

Tata Steel is the only Indian company to has translated the Global Compact principles on human rights, labour and environment into practice. The company was conferred the ‘Global Business Coalition Award’ for Business Excellence in the Community for HIV /AIDS.

➤ **Benchmarks at Sony Corporation**

Established in 1946, dealing with major products like audio video, TV, Information and communication PC, semiconductors etc the company concentrates on Good work environment. It has developed number of employee programmes and policies due to which the employees feel valued and appreciated resulting in happy and motivated employees. Number of family and friendly policies like Generous vacation policy and **floaters days**, Paid leave of absences, Flexible work arrangement, Health and wellness programme, **Preproduct launch demos** are regularly hosted to give an employee ‘inside ‘look, employee satisfaction is continuously monitored through employee surveys, **encourages application also from persons with disabilities**, conducts knowledge sharing events. Without regard to of race, place, color, ethnic origin, record of offences, cast etc, work assignment, transfers, promotions and compensation all are determined on the basis of merit and individual **performance is assessed annually. Soni also measures Net Promoter Score, which is 61.**

➤ **Benchmark at Infosys technology,**

It is a leading software company based in India, and many HR surveys in the recent years have declared **it as the best employer** in the country. The company promotes **employee friendly HR practices**. The collective expertise, innovation, leadership, entrepreneurial and managerial skills are represented through its HR, which are endowed in the employees of an organization.

The company happens to be the first company in India to prepare its financial statements which are based on the United States Generally Accepted Accounting Principles (U.S. GAAP) financial reporting framework. The company also holds the distinction of being the first foreign private issuer in India to file with United States’ Securities and Exchange Commission (SEC), all the primary statements in keeping with the International Financial

Reporting Standards (IFRS). Infosys annual reports, thus, are characterized by the following distinctive features.

➤ **Benchmarks at Aditya Birla**

MNC based in Mumbai dealing in garments, financial services, telecom etc. The company enjoys the status of ‘the best employer in India’. It has created HR partners (region wise) to help employee interaction. It has the status of ‘The Best employer in India’ and stands among top 20 companies in Asia. The company has initiated ‘Speak Your Mind Programme’ through which interaction with HR is made possible, created new channels of communication, performance appraisal system and reward strategy, focuses on Target achievement. The company along with maternity leaves to mothers also offers **paternity leave to male managers ( i. e fathers)**. The company is not very rigid **towards written rules; ergonomics** is used frequently if required. It also makes use of ‘three-sixty’ degree feedback tool to measure performance and heighten self awareness. The company provides convenience in medical facilities as it offers **mobile clinics** etc

**IV. SUMMARY**

Thus the companies are trying to create Benchmark Culture and find out the impact of benchmarks established with the help of performance **indicators** .Some of them are listed below

Objective	Key Performance Indicator
Create positive work environment	% of employee turnover Ranking in -Best Place To Work annual survey”
Enhance internal customer satisfaction	Employee satisfaction index
Apply excellent recruitment process	Average lead time to recruit employees Recruitment cost per employee Performance of new recruits during first two years
Develop strategic competencies	Average lead time to develop competency
Develop internal HR capabilities	% of Hr employees who fully execute their individual plans
Implement best talent management practices	No of qualified talent per strategic position

A survey reports that

- 52% of international companied established benchmark on leadership development as against 35% of the domestic companies
- Recruiting high quality employees was on the second rank for 40% and 46% of international and domestic companies respectively
- Benchmarks established for Employee retention was also the top priority for domestic organizations

•83% of international companies opt for expatriate assignment and 88% companies spend more than two times on such assignments.

LPG scenario forces the firms to adapt strategic benchmarks related with HR management to cope with unprecedented product innovation and technological change. And international as well as Indian corporations are responding to it by establishing various benchmarks to create Organizational Citizenship Behaviour.

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