

“A TORCH ON BENCH MARKING” As an Indicator of Best Practices in HRM

Esther silviya¹, Dr. S. Rabiya²

¹Research Scholar, Department of Management studies, Bharath Institute of Higher Education and Research, Chennai, India.

esthersilviya.1993@gmail.com

²Department of Accounting & Finance, College of Administration and Economics, Lebanese French University, Erbil.

srabiya@lfbu.edu.lb

ABSTRACT: *Benchmarking is a technique for assessing a firm's performance against the performance of other firms. It is used to find the best practice and to take necessary actions to improve the firm's own performance so that it meets or exceeds that of its competitors. It is usually a process of reengineering or quality improvement initiative, and focuses on the ongoing quality management efforts of strategic business units. This has resulted in the establishment of a conceptual framework for evaluating users' needs identified in market opportunity analysis, a new service concept, the user's ombudsman, relationship marketing, and a citizen charter. The article highlights the significance of using benchmarking as performance indicators, process reengineering and quality improvement in organizations. In this article the researcher highlights the importance of benchmarking in HRM practice, to define the key performance indicator in HR areas, classifying various types of benchmarking, advantages of benchmarking, and identifying the key drivers in making success of benchmarking.*

Key words: *Benchmarking, Benchmark in HRM, Types, Performance criteria, Purposes in HR, HR activities, Advantages, Key drivers in making success.*

1. INTRODUCTION

Organizations benefit by learning from similar organizations in the industry or from other industries. They can modify their current practices in terms of the best practices available to others. This purpose is essentially served by benchmarking. Benchmarking is a comparative method where a firm finds the best practices in an area and then attempts to bring its own performance in that area in line with the best practice. It is a reference point for the purpose of measuring and when applied to work processes yields superior results. In order to excel, a firm shall have to exceed the benchmarks.

According to American Productivity and Quality Center (APQC), “benchmarking is the process of identifying, understanding and adapting outstanding practices and processes from organization anywhere in the world by a firm to improve its performance” (APQC, 1993). In other words, best practices are the benchmarks that should be adopted by a firm as the standards to exercise operational control. The performance of an organization can

be evaluated continually till it reaches the best practice level by using benchmarking. However, benchmarking offers firms a tangible method to evaluate performance (Kazmi, 2007).

2. BENCH MARKING

Bench marking is defined as a tool “to help you improve your business processes.” Any business process can be benchmarked.” Broadly speaking, “Bench marking is the process of identifying, understanding, and adapting outstanding practices from organizations anywhere in the world to help the organisation improve its performance.” It is an activity that looks outward to find best practice and high performance and then measures actual business operations against these goals.”

One of the approaches to monitoring the HR performance is Benchmarking. Benchmarking denotes a comparison with selected performance indicators from different organizations typically in the same industry, or with comparable organizations that are considered to be the best in class. Benchmarking is well known for being a good model in a company. Sometimes it is referred to as Best Practices, Exemplary Practices, and Business Excellence.

Successful benchmarking exercises are provided through comparisons with other firms and different ways of thinking. Many firms strive for performance improvements by benchmarking standards of excellence from other firms in such areas as production, research and development and marketing. HR can be employed to similar competitive advantage.

3. BENCHMARKING IN HUMAN RESOURCE MANAGEMENT PRACTICE

The human resource management function is at root, a range of activities and approaches that allow a firm to attract retain and mobilize a critical mass of human talent. Most efforts to assess HR performance have been limited to general measures of limited value, such as headcount or payroll costs, or sophisticated measures that managers are sometimes unable or unwilling to use moreover, experience shows that managers seldom review in a systematic way the intent, impact or results of and HR action or policy. As a result, an adjustment in human resource policies and practices tend to be based on intuition rather than methodical assessment of concrete and specifiable effects.

Many HR managers are being forced to justify in a systematic way the costs of their activities in production, marketing and financial management, and to compare their activities and overall performance measures with other organizations. This need to evaluate the value-added effects of HR practices on organizational products and processes began in earnest during the late 1980s and is becoming critical in this, the age of performance management.

4. TYPES OF BENCHMARKING

A firm could attempt benchmarking at several levels using all the different types of benchmarking. The main purpose should be to find out the best practices so that one could confirm to it. But before one does this, benchmarking is enough to show where a firm excels or lags behind. This is helpful in assessing the strengths and weaknesses of an organization and determining its capability. The following are the various types of benchmarking.

1. *Performance benchmarking*

This is to compare one's own performance with that of some other organization or the purpose of determining how good one's own organization is. It allows the initiator firm to assess their competitive position by comparing products and services with those of target firms.

2. *Best practice benchmarking or process benchmarking*

This is to compare the methods and practices for performing processes. It is used in the strategic management, in which the initiating firm focuses its observation and investigation of business processes with a goal of identifying and observing the best practices from one or more benchmark firms. Activity analysis will be required where the objective is to benchmark cost and efficiency; increasingly applied to back-office processes where outsourcing may be a consideration.

3. *Strategic benchmarking*

This is to compare the long-term, significant decisions and actions undertaken by other organizations to achieve their objectives.

4. *Internal benchmarking*

This is a comparison between units or departments of the same organization.

5. *Competitive benchmarking*

This is a direct comparison of one's own performance against the best competitors and restricts the search for best practices to competitors.

6. *Functional benchmarking*

This endeavors to determine best practices regardless of industry. It is a comparison of functions against noncompetitive organizations within the same sector or technological area. Complex functions such as human resources, finance and accounting and information and communication technology are unlikely to be directly comparable in cost and efficiency terms and may need to be disaggregated into processes to make valid comparison.

7. *Financial benchmarking*

This performs a financial analysis and compares the results in an effort to assess your overall competitiveness.

8. *Generic benchmarking*

This is a comparison of one's own processes against the best practices anywhere in any type of organization.

9. *Product benchmarking*

This is the process of designing new products or upgrades to current ones. This process can sometimes involve reverse engineering which is taking apart competitors' products to find strengths and weaknesses.

Cost of benchmarking

Benchmarking is a moderate expensive process. The costs involved in the process of benchmarking are visit costs like hotel rooms, travel costs, meals, token gifts and lost labour time; time costs like researching problems, employee time devoted to travel and discussion meetings, finding exceptional companies to study and information processing, etc, and database costs in order to know the best practices and maintenance etc. They help in balancing the costs with the knowledge gained.

5. BENCHMARKING – SERVES A NUMBER OF PURPOSES IN HR

1. It enables a company to calibrate how it is delivering HR practices by examining the way other organizations accomplish tasks and responsibilities.
2. It enables a company to learn from others successes and mistakes.
3. Benchmarking can create an environment in which active learning is encouraged.
4. It can be used as a tool to motivate people to change.
5. Benchmarking can be used to help set direction and priorities for an HR manager and help him to focus on critical activities.
6. A well-established benchmarking process can help managers to set goals and targets designed to make the company the best in its competitive field, and to initiate focused programs that move the company from its current position.

6. By using Benchmarking, one can find out:

1. Who does the business process really well and has processes that are adaptable to the organisation
2. What areas are causing the most trouble?
3. Which employees contribute most to the critical success factors
4. What are the performance measures to determine the effect of actions of the organisation?
5. Who is the most compatible to benchmark with?
6. What are the business processes are common throughout industry?

Benchmarking is a strategic activity aimed at the pursuit of continuous improvement. It is the process of assessing an organization's procedures, product, and service. Organisations performance will be assessed and achieved a recognized standard of Excellence. Benchmarking is an ongoing, systematic process to search for and introduce best practice into an organization. Organizations can also use benchmarking techniques to add value to their strategic planning processes. They can be a valuable means of setting appropriate measurable objectives to improve the organizations strategic performance. Benchmarking can also help strategically focus an organization's HRM performance by providing challenging, yet achievable targets or goals across all key areas of the HRM framework. By helping organizations learn from other organization's high-performance standards, benchmarking provides an incentive for organizations to adapt and to improve the quality of management practices. The areas of human resource benchmarking, includes the following:

- Organization effectiveness
- HR effectiveness
- Recruitment
- Training and Development
- Absence & Turnover and

- Occupational Health & Safety

Most of these factors can be then analysed further into splits such as occupational group or tenure based. The resulting benchmarking report, prepared on an annual basis, connects a range of people management issues to organizational variables such as revenue, expense and profit etc, providing benchmarks that allow managers to evaluate, in different areas, this provides managers with essential information to help them in their tasks of maximizing organizational effectiveness. It is also possible to define key performance indicators, which can help managers, evaluate how their HR practices relate to both the operational and strategic level of enterprise, and lay the foundation of comparing the HR practices according to six performance criteria:

1. Quality of delivery (in terms of conforming to some practice ideal of fulfilling the intended purpose)
2. Quantity (expressed in terms such as dollar value, number of units, or number of completed HR cycles)
3. Timeliness (the degree to which an Hr practice is completed, or a result produced at the earliest time desirable)
4. Cost effectiveness (in the sense of optimizing the gain or minimizing the loss from each unit or instance of use of human and financial services)
5. Need for supervision (the degree to which a person or unit can carry out a HR practice promotes feelings of self – esteem, goodwill, commitment, satisfaction, co-operation among co-workers and subordinates)
6. Positive impact (the degrees to which an HR practice promotes feelings of self – esteem, goodwill, commitment, satisfaction, co-operation among co-workers and subordinates)

7. BENCHMARKING HR ACTIVITIES

There is a proposed set of activities for benchmarking the organizations HR department:

1. Decide the composition of the audit team: There has to be a representative from the HR function and from among senior line managers, if the exercise has to have any credibility. But it is not essential that the head of the senior HR manager leads the team.
2. Identify the functions main customers: The key decision is to clarify who makes the final decision to buy the services provided by the function. In a decentralized multidivisional organisation, this is likely to be the general managers of the strategic business units.
3. Review the HR functions mission statement: This statement describes the reason for the HR functions existence, its principal activities and it's most important values.
4. Review the functions role in formulating and implementing the organizations strategy: This step is critical to establishing the link between HR policy and practices, on the one hand, and the organizations overall business strategy, on the other.
5. Review the HR functions role in developing relevant HR policies and practices.
6. Review the delivery of HR policy and practices: Questions need to be asked here in relation to the HR activities currently being undertaken by HR or personnel staff which could perhaps be done as well or even better by line managers, by computers or by external agencies and consultants. An alternative option is to establish an "internal consultancy or business unit" in which the HR function sells its services both inside and outside the organisation. The advantage of this approach is that line managers can go elsewhere if they are not happy with the service they receive from the HR function within the organisation.

7. Make internal comparisons to establish best practice: The organisation need to build and constantly update a unique database of HR practices that gives an overview of developments within the world's largest organizations today.
8. Review the outcome of analysis: Performance gaps need to be identified and the policy implications need to be discussed with the customer. The commitment for implementing the necessary improvements should be gained. This implies that those ultimately responsible for implementing the changes,
 - a) Acknowledge the need for improving HR policies and practices.
 - b) Understand the difference between the current HR practice and what is desired.
 - c) Accept and retain full ownership of the practical steps towards implementation.
9. Implement the agreed improvements and measure the progress against pre – set targets: The metrics selected should be the agreed upon true indicators of the HR function's performance and compare the results with industry averages, competitors, best practices firms, and / or with set targets or previous performance ratings. It is usually feasible to produce relevant ratios of the HR performance data. The most likely ratios should cover unit costs and appropriate customer satisfaction measures. If measures are not clear or difficult to obtain, two alternatives are possible. One, the process of determining appropriate HR performance measures becomes a key step in the benchmarking process itself. Or, there are approximate measures available from other functional areas that give an indication on the HR function is performing.

8. ADVANTAGES OF BENCHMARKING

The advantages are:

1. Minimizes the costs and saves time to adapt the best practices of other companies rather than re-invent them in-house.
2. Helps in implementation of upcoming changes and sophisticated technological improvements, arising out of change across industries.
3. Bridges the competitive gaps in one's own concern from other competing firms.
4. Initiates the formulation of strategic goals and objectives based on the external models for improving activities and processes in the organization.
5. Stimulates an organization to overcome its inertia and think differently in the context of the brand-new approaches/models implemented elsewhere.
6. Facilitates organizational learning and,
7. Drags improvement in critical areas within the organization by adapting best practices and processes.

9. KEY DRIVERS IN MAKING SUCCESS OF BENCHMARKING

1. Identifying other companies which are role models for learning.
2. Acquiring reliable and valid data from these companies about their best practices and standards and how these are set in the critical areas of one's concern.
3. Determining current competitive gaps and understanding the strategic and tactical reasons for the gaps.
4. Reengineering, improving, or innovating upon existing practices and processes to achieve better standards in critical areas.
5. Set up an action plan to induct the identified betterments.
6. Motivating the employees for effective implementation of the process of benchmarking.

If the same set of people are involved in benchmarking and in implementing the identified changes, managing change does not run the risk of resistance. On the other hand, it may even inspire creativity and commitment to change. The abilities, experience, professional competence, influence, and commitment of the people involved in benchmarking are the other factors critical to its success. A majority of employees can be tuned to benchmarking if its success can be exemplified with respect to a particular activity or process. The progress should be regularly monitored and the standards recalibrated to achieve continuous improvement.

10. CONCLUSION

Benchmarking is a process of identifying and importing best practices to improve performance. Benchmarking is not a simple comparative study, simply copying practices from other organizations or simply assessing performance. Benchmarking helps in establishing solid HR systems and to maintain HR systems or an ongoing system. It also helps in recommending systems and establishing a time line for projects. It also helps in assisting with staffing the company as needed. There are various benefits in benchmarking. It helps in making affirmative action plans and thereby makes their policies and procedures manuals. It helps in enhancing team building.

Benchmarking provides a good learning opportunity for those involved in the process, in addition to stimulating their creativity and stretching their cognitive ability. The possibilities of bringing about useful changes in the organization and the benefits of such change also become evident. ‘Seeing is believing’ as the saying goes, seeing the viability of certain ideas, processes and activities and their successful implementation by other companies, tends to bolster one’s self-confidence and the belief that what other can do, one can do even better. It assists in improving internally and in getting even with others. But to gain the competitive edge, a company has to identify what it can do differently, how it can be a trendsetter and perhaps even redefine or invent the rules of the game. Significant favorable differences from competitors are potential cornerstones of a firm’s strategy.

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