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IMPROVING THE EFFICIENCY AND COMPETITIVENESS OF THE ORGANIZATIONS IN THE APPLICATION OF BENCHMARKING

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Abstract: Benchmarking is one of the best management tools to determine whether a certain organization performs effectively specific functions and activities. It enables managers to identify best practices, prioritize opportunities for improvement, enhance labor productivity. This is why benchmarking is used in many organizations as a tool to increase efficiency and gain competitive advantage.
The purpose of this article is to outline the importance of benchmarking as a tool for increasing the efficiency and competitiveness of the modern organizations.
Summarizing the most frequently described benefits of benchmarking in the scientific sources, we can bring them down to:

- Increase of efficiency - Identifying best practices and setting high goals increase the efficiency of the organization outright (*directly*). At the same time, benchmarking helps organizations understand their strengths and weaknesses in terms of their competitors and focus their efforts on meeting their real needs. This is the *indirect* link between benchmarking and the increased efficiency of the organization.
- Enhancing the competitive position – Benchmarking expands the perspectives of the companies and increases their competitiveness by improving their position vis-à-vis competitors. At the same time it increases the level of competition by creating restrictions for organizations which do not reach a competitive level.
- Improvement of the learning ability and the introduction of changes - Benchmarking is not limited to measuring effectiveness and competitiveness. True "perfect" organizations use benchmarking as a technique and catalyst for change, as a learning process, not just as a report showing results.
- Improving organizational culture - In the long run, the greatest benefit from applying benchmarking is the positive effect on organizational culture.
- Benefits for the benchmark organization - Through the practical recognition of benchmarking as a base for comparison between best practices, the benchmark organization gains an additional competitive advantage and strengthens its market position.

Aiming at the best possible use of benchmarking techniques, the senior management of a benchmarker organization should be aware not only of the expected benefits but also of the mistakes which prevent the achievement of optimal results. The most common are: the irrational alignment of benchmarking techniques with the organization's strategy; when confusing the benchmarking concept with participation in a survey; when those responsible for applying benchmarking seek to identify and use historical evaluations**;** when customer satisfaction is ignored**;** selection of an object with difficult to measure specifics**;** inadequate determination of the reference point for the comparison application**;** when the benchmarking partner organization is selected without a comprehensive research**;** when the Code of Conduct is not complied with or there is no agreement between the benchmarking organizations.
Keywords: benchmarking, organizations, best practices, efficiency, competitiveness

INTRODUCTION

Not a few business organizations are looking for innovative ways to improve efficiency and maintain a competitive advantage. This requires the development of various techniques to improve their operations. In this sense, benchmarking becomes a tool for improvement of the organizations' productivity and competitiveness. It is seen as a process by which organizations evaluate their products, services and practices against those of their direct competitors or organizations recognized as leaders in their industry.

Benchmarking is one of the best management tools to determine whether a certain organization performs effectively specific functions and activities. It enables managers to identify best practices, prioritize opportunities for improvement, enhance labor productivity. This is why benchmarking is used in many organizations as a tool to increase efficiency and gain competitive advantage.

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PRECONDITIONS FOR APPLYING EFFECTIVE BENCHMARKING

In any systematic attempt to increase efficiency and competitiveness, an organization must meet certain conditions in order to gain more benefits. The prerequisites for this are the following[101]:

• Supporting the program by the senior management in order to make it accessible to employees and users of the organization and comprehended by them;

• Active participation and appropriate training of the team members and staff involved in the implementation of the benchmarking project;

• The focus of the program aimed at fully satisfying customer needs;

• Application of benchmarking techniques for gaining competitive advantage and enhancing efficiency through improvements;

• Adaptation of benchmarking projects to specific strategies;

• Putting realistic goals;

• Choosing an appropriate benchmarking partner;

• Availability of appropriate resources in the form of time, money and necessary materials;

• Adhering to the hierarchy of the process (design, analysis, execution and review);

• Sequence in creating an organizational culture of the staff, facilitating continuous improvement and customer satisfaction;

• Recognition of the organizational culture as a factor in performing the necessary changes in the most appropriate way;

• Application of appropriate performance evaluation methods.

The participants in the benchmarking process can be considered as shareholders, as each, individually or as a team, contribute to the improvement of the organization. Effective benchmarking management in an organization requires project managers to balance between the conflicting interests of the participants. As such, the following are defined:

- ✓ ***The senior management of the organization*** - Should provide support to the benchmarking team, as well as reward the efforts in delivering positive results from the actions.
- ✓ ***The functional manager and the people involved in the benchmarking process*** - They contribute to the improvements and include: the functional manager, the unit managers, the personnel involved in the procedure and the operators directly involved in the process.
- ✓ ***Team Leader (Coordinator)*** - It is the main engine in the improvement process. Its role can be fulfilled with a different management style, depending on the team.
- ✓ ***Mediator or so-called Facilitator*** - There is a need for a person who knows the methods and techniques of benchmarking to play an active part in the process of the various improvement activities, to be a catalyst for success. Essentially, this is the role of a coach.
- ✓ ***Team members*** - they participate with their knowledge and experience in different functions.
- ✓ ***External collaborator*** - plays an important role by providing basic sources for internal measurements.

EXPECTED BENEFITS OF BENCHMARKING

The results and benefits that the organizations expect from benchmarking apply to the different aspects of organizational functioning. According to *Zairi* (1994), benchmarking can greatly increase efficiency in an organization. This is possible with the introduction of relatively rapid changes leading to perfection. *Yasin & Zimmerer* (1995) reached such a conclusion. They combine the potential benefits of successful implementation and integration of benchmarking into overall organizational activity and culture, gaining competitive advantage, increasing profitability and survival of the organization.

The literature sources also state[102] that benchmarking can be successfully applied:

• to increase productivity;

• to create a strategy to tackle competition;

• to create realistic goals;

• to promote "learning" among employees and their motivation;

[101]Davies, A.J., A.K. Kochhar, (1999), "Why British companies don't do effective benchmarking", In: Integrated Manufacturing Systems, Vol. 10, No 1, pp 26-32

[102] Camp, R.C. (1989), "Benchmarking. The Search for Industry Best Practices That Lead to Superior Performance", Milwaukee, Wisconsin: ASQC Quality Press.

• to develop new ideas from sources outside the organization;
• to realistically assess and improve efficiency;
• to continuously improve different areas of the organization.

According to *Brah et al* (2000), the main benefits which can be derived from benchmarking are limited to: *customer satisfaction, improved delivery times, and increased reliability of operations.* Concomitantly, these benefits are positively related to the success rate of individual applications.

By analyzing the factors influencing the expected benefits, *Jarrar & Zairi* (2001) conclude that it is essential to understand the concept of benchmarking within the company and to apply appropriate methodology. Similarly, the opinion of *Andersen* (1999) also summarizes that the expected benefits of benchmarking for the organization can hardly be predicted due to the specificity of each case.

Codling (1998) divides the expected benefits to:

a) *tangible* – they present the main reasons for applying benchmarking and address the directly visible effects such as: improving profitability, saving resources, improving the efficiency of operations, etc.

b) *intangible* - usually felt before economic improvements are identified and are factors related to culture and the working environment, as well as improved communication, knowledge transfer, training, innovation, acceptance of foreign opinion, etc.

Summarizing the most frequently described benefits of benchmarking in the scientific sources, we can bring them down to:

- **Increase of efficiency**

One of the most substantial benefits of benchmarking is improving or increasing the efficiency in the organization. The positive relationship between effectiveness and benchmarking is found in the study of *Voss et al* (1997). They describe the presence of both *direct* and *indirect* links between them. Identifying best practices and setting high goals increase the efficiency of the organization outright (*directly*). At the same time, benchmarking helps organizations understand their strengths and weaknesses in terms of their competitors and focus their efforts on meeting their real needs. This is the *indirect* link between benchmarking and the increased efficiency of the organization. *Voss et al* corroborate empirically the positive relationship between benchmarking and improved organizational effectiveness in an organization. *St-Pierre & Delisle* (2006) also reached this conclusion in their study on the impact of benchmarking on the operational and financial performance of small and medium-sized organizations. This study confirms the exceptional utility of benchmarking as a *tool to increase efficiency*.

- **Enhancing the competitive position**

Benchmarking expands the perspectives of the companies and increases their competitiveness by improving their position vis-à-vis competitors. At the same time it increases the level of competition by creating restrictions for organizations which do not reach a competitive level. For organizations that aspire to world-class production, benchmarking shows what needs to be done and how it can be achieved. *Codling* (1998) notes that benchmarking can be used as a technique for acquiring and maintaining a competitive advantage as the goal is to improve and increase performance indicators over competitors. He emphasizes that benchmarking is not a "*passive exercise*" but a "*positive activation*".

- **Improvement of the learning ability and the introduction of changes**

Benchmarking is not limited to measuring effectiveness and competitiveness. *Garvin* (1991) argues that true "perfect" organizations use benchmarking as a technique and catalyst for change, as a learning process, not just as a report showing results. It is the tool which helps organizations move from "*continuous improvement*" to "*continuous learning*".

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- **Improving organizational culture**

In the long run, the greatest benefit from applying benchmarking is the positive effect on organizational culture. The organization, which has decided to apply benchmarking, undergoes a major change in the way of thinking, freeing itself from the notion of individuality and the "*we are different*" syndrome. *Camp* (1989) even states that the most difficult part of benchmarking for a company is to realize that some other organizations are likely to do the same thing better than them. Focusing on the search for best practices to improve processes, benchmarking limits the traditional approach to look for fault. This leads to an improvement in the organizational culture of the employees and staff, as well as to smoothing of the communication between them. On the other hand, *Codling* (1998) argues that by applying benchmarking and improving the interaction between processes, strategy and culture, the organizations gain a new perspective through which their competitive advantage can be significantly improved.

- **Benefits for the benchmark organization**

From their practical experience, *Tucker et al* (1987) found that the benefits of benchmarking are not only for the companies looking for improvement but also for the benchmark organizations. As an example, they point to the result of benchmarking in *Xerox* with the benchmark company *L.L.Bean*. As a consequence to the high results achieved, *L.L.Bean* introduced benchmarking as a practice in their own work schedule. This creates a mutual exchange of information, supporting the idea that knowledge and innovation can also be shared outside the organization. Thus, through the practical recognition of benchmarking as a base for comparison between best practices, the benchmark organization gains an additional competitive advantage and strengthens its market position.

The technological progress transformed communications and opened up a new information world based on innovative technologies. Every organization has access to cheap internet, which ensures benchmarking with easy access to databases, services and greater opportunities. For example: online surveys, virtual shared interest groups, best practice information resources, and social contact sites to connect with potential benchmark partners.

A wide variety of resources are available to support benchmarking such as:

- *Benchmark Index* - provided by *Winning Moves* - UK and *IPK Fraunhofer* - Germany, which compares the performance across a wide range of indicators in many countries;
- *BOND* - provided by MPC - Malaysia - compares productivity and best practices for Malaysian organizations;
- *Asia Benchmarking Network* - Provided by *IPC* - Iran, which provides for comparison the financial performance and the high level of indicators for Iranian organizations;
- *Best Company to Work For* - provided by *Team One Consulting* - Saudi Arabia for evaluating human resources management in Saudi Arabia;
- *Online Assessment Tool* - provided by *Best Prax Club* - India for evaluation and best practices for organizations in India.

These resources are very appropriate for organizations that want and need access to best practices and expert advice and opinions but do not have the necessary conditions for full-scale benchmarking projects.

The Business Improvement Performance Resource (BIPR) developed by *Center for Organizational Excellence Research (COER)* is a large repository containing databases with thousands of performance parameters, self-assessment tools and best practices covering almost every aspect of the business. This resource enables the users to search for "best practices" from the perspective of different business models of excellence (*EFQM Excellence Model, Baldrige Excellence Framework, Singapore Quality Award, and Canadian Framework for Business Excellence*)

RESTRICTIONS AND ERRORS IN THE APPLICATION OF BENCHMARKING

In order to avoid possible mistakes in benchmarking, the senior management must comply with certain constraints that arise when applying benchmarking:

• *The size of the organization and the level of performance it has achieved*

According to the research conducted by *Ernst & Young* in 1992, benchmarking can be more easily implemented by large organizations. They have the means and opportunities to recruit qualified staff capable of conducting in-depth analyzes and formulating useful suggestions. This is essential in the application of benchmarking techniques.

For the organizations which have already reached a high level of competitiveness, it is easier to adapt best practices from the industry they belong to.

• *The need to understand the system relationships which are created in the network of all business processes of an organization*.

It is common practice to choose processes which are considered the most critical in the industry and to compare with those of high performance organizations, usually non-competitive. After collecting the necessary data, the identification of the performance-critical gaps should follow. Based on this, design for an action plan follows, which to introduce changes to achieve higher productivity. Particular attention should be paid here to the way in which the chosen improvement process is linked and interacts with other processes in the organization. The smooth running of processes leads to increased efficiency and competitive advantage.

• *Introducing innovations and improvements in ongoing processes to gain competitive advantage*.

In recent years, there is an even more recurrent trend originating from small and unknown to the broader business environment organizations, of revolutionary alterations which transform the new economy. They often bring innovative changes to an industry by contributing to the emergence of new markets, shape out a new definition of competition, and are able to change irreversibly the economic sphere.

Aiming at the best possible use of benchmarking techniques, the senior management of a benchmarker organization should be aware not only of the expected benefits but also of the mistakes which prevent the achievement of optimal results. The most common are:

• *The irrational alignment of benchmarking techniques with the organization's strategy*

It is often noticed that an object or area which is not related or is in full contrast to any of the priorities defined by the organization is selected as an object of benchmarking. In such a situation, the responsibility is entirely borne by the benchmarking team, which needs to take corrective action.

• *When confusing the benchmarking concept with participation in a survey*

Applying benchmarking implies an evaluation of an active process which exists for a certain period of time and there are clear data on its effectiveness and resources. When an organization starts implementing a new process, selecting it from other organizations is not benchmarking, but research.

• *When those responsible for applying benchmarking seek to identify and use historical evaluations*

It is illogical for an organization to measure its effectiveness on old metrics or predefined standards, as there are a number of elements which distinguish it from other organizations. These are, for example, corporate culture, customers, the market segment, the industry to which it belongs, the resources available, etc. Successful benchmarking can only be guaranteed when selecting the right partners and making efforts to achieve high efficiency.

• *When customer satisfaction is ignored*

There are numerous cases with organizations, in which the use of benchmarking techniques have become so inelastic in the cost of their products or services, that they have ignored customer requirements. As a result, they have lost a significant part of their market share. It is advisable that management should follow a balanced benchmarking approach to metrics development.

• *Selection of an object with difficult to measure specifics*

For instance, communication between employees.

• *Inadequate determination of the reference point for the comparison application*

• *When the benchmarking partner organization is selected without a comprehensive research*

• *When the Code of Conduct is not complied with or there is no agreement between the benchmarking organizations*.

CONCLUSION

On the basis of all the above, the following main features of benchmarking can be identified:

• Benchmarking is a flexible, continuous, systematized and perfectly structured multi-faceted technique for measuring and comparative analysis of products, services and practices to those of the organizations recognized as "best";

• The main objective of benchmarking is the search for and identification of "best practices".

• By adopting "best practices", the organization undergoes correction or elimination of productivity gaps in order to achieve high efficiency and competitiveness.

• Benchmarking is a tool for continuous improvement, a tool for assessing and enhancing efficiency and competitiveness, a goal-setting process, a method of acquiring knowledge and creative analysis of information, a tool for innovation and creativity, as well as a means for understanding the organization and its functions

• Benchmarking is a process of identifying of the critical success factors, a factor for change, and a process-based approach to management.

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