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BENCHMARKING - AN ESSENTIAL TECHNIQUE IN STRATEGIC MANAGEMENT AND AN EFFICIENT MANAGEMENT TOOL

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Abstract

This paper shows the application of the benchmarking process as a technique of comparative analysis of one's own business, which is used in practice to increase creativity. It is one of the important methods of TQM and is an example of business according to which the cultural policy of the organization rests on the aspiration to constantly provide the client with the product he wants with the participation of all members of the business entity in the continuous improvement of processes, products, services and their way of working. In order to "survive and find their place under the sun" pressed by fierce competition, business entities are forced to constantly improve their processes and activities in every area of work: technology, management, communication, relationship with customers, etc. Benchmarking is one such management tool that contributes to increasing the competitive ability of the organization as well as its successful business.

Key words: *Benchmarking, business improvement, competitive advantage.*

Introduction

The basis of benchmarking is the word benchmark, which means standard for comparison, benchmark, i.e. reference points, height marks, and levelling marks when measuring land and models. The origin of this technique is usually linked to the efforts of the Japanese in the 1950s to visit the best organizations, mainly in Western Europe and the USA, to gather knowledge and ideas that they could apply, modify and improve so that they could compete in the world market. The world market demands high-quality products, and it becomes a condition for the placement of goods in certain markets. The long-term growth and development of production organizations, created during the agreed economy, are based mainly on the market monopoly ensured by the state. The entire management philosophy rested on the mechanisms of state regulation of the economy and development. In such conditions, there was no need to conduct a deeper analysis of the business in terms of the position of the organization concerning the competition and the environment.

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The principles of copying and learning from others are the main features of this method. The essence of the benchmarking method is to come to a conclusion about a phenomenon by comparing it with other phenomena and determining common characteristics or characteristics that separate them. So, in this particular case, it is about the issue of business comparative analysis, efficiency and effectiveness.
In the market, the quality of products/services is determined by customers, who thus satisfy their needs. The goal of the organization is to achieve a competitive advantage if they do not have it or to maintain it if they have gained it. That is why it is important that the organization follows the changes in the market and in accordance with them performs adequate technology management.
The organization as a production and business system is designed to create new values in accordance with the demands and wishes of customers and other interested parties with constant improvements. The improvements refer to all processes and functions of the system, but also to the constant review of the prescribed measures, taking into account the economic effects of the improvements.
Applying benchmarking techniques allows organizations to learn from the experience of others or their own best practices. This, above all, has two aspects in mind:

- focus on a continuous and systematic process of measurement and comparison with the best practice of production processes, products or services
- implementation of best practice, which is essential for improving practice and performance in business

Benchmarking is a continuous process of measuring and evaluating processes to compare them with organizations that are already known as leaders in their class.

Basic concepts of the benchmarking process

An important issue of every business system is the evaluation of business profitability and the overcoming of backwardness. Questions that every production organization should ask: Why do we receive a large number of complaints about our products? How to get rid of unnecessary costs? Why does the competition exceed our sales? How can we achieve the top quality of our products? What about the quality of the process? What are our true values? Position? Growth? The answers are everywhere; the challenge is to get used to looking for new ideas and implementing improvements. Benchmarking in a production organization allows one to obtain the information needed to achieve goals and indicates the way to reach those goals. The identification, analysis, adaptation and division of the process have been enabling more than the simple improvement of the production process to be carried out for years. All this supports the establishment and development of a "learning culture" at the level of the entire organization.
By definition, benchmarking is the search for best practices in industrial organizations that will lead to distinct results. Best practice refers to the methods and strategies used in an organization to best meet customer requirements. These strategies require constant changes of goals and are therefore continuous, where it is normal to always start from the currently best strategy. In any case, the results must be measurable or determined based on an assessment.

In practice, three types of benchmarking are distinguished:

- internal benchmarking,
- competitive benchmarking, and
- functional benchmarking.

Internal benchmarking refers to the comparison of activities of the same type in different departments, business areas, etc. The advantages are easy data collection and it is most often used as a starting point for analyzing a certain process before starting a benchmarking project.

Functional benchmarking refers to the comparison of organizations against products that dominate the market in a certain area. In the process of comparison, information is obtained about the possibilities of improving one's own product in terms of transferring technologies and improving the use of data and results from the database of other manufacturers.

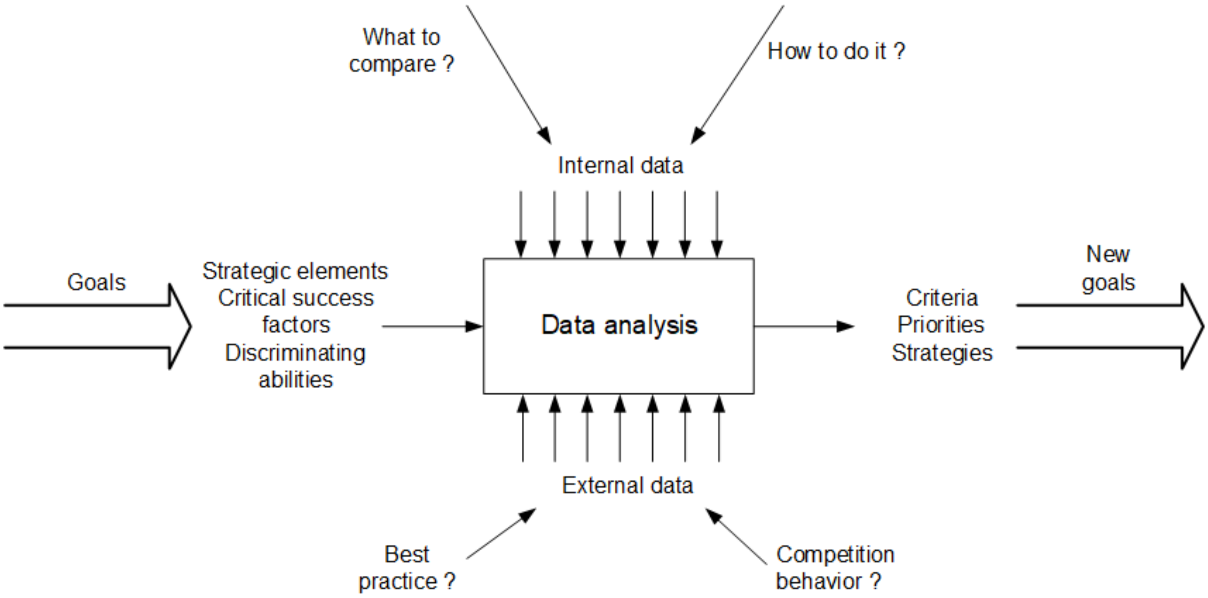

Figure 2. Benchmarking process model

The tool industry has been making a functional comparison of the quality of its tools with the world's leading manufacturers for a long time. The result of that comparison is, in some cases, the improvement of the technological process or the development of a new product, or simply checking how up-to-date we are with market developments. Based on the set goals of the organization (Figure 1), the benchmarking process is approached, and it is necessary to provide answers to certain questions:

- What should be compared?
- Which organization should be compared with?
- Who is the best in the class?
- How does the competition behave?
- How to implement the results?

The beginning of the benchmarking process requires a critical review of the production organization's strategy, which implies the determination of strategic elements, critical success factors and the ability to differentiate.

Critical success factors are those key areas that ensure positive results in competing with the competition. In production organizations, these can be: product quality, price, management of individual processes, delivery conditions and terms, etc. It is important that when choosing a critical success factor, the analysis is carried out from the perspective of the customer. Example: As the economic environment of the tool industry is completely unstable in terms of taxes and contributions, banks and ownership, the criterion of superior production planning may not be decisive if the customer himself is in the same environment. However, the tool industry sells over 80% of its production to the market of Western Europe and America, so the issue of production planning, which directly affects delivery times, can be one of the criteria for the customer and thus becomes a critical success factor.

Differentiating capabilities represent those unique capabilities that have a clear and long-term competitive advantage and can be differentiated from the customer's point of view. Some elements of a business may have a clear differentiating competency even though they are not critical success factors and vice versa.

During a competitive and functional benchmarking process, the choice of benchmarking partner is important, taking care to always strive for the best in class selection, so it could be said that the benchmarking process identifies, measures and uses the knowledge of the best in class.

Best in class means those organizations that have reached the top position of business. Possible criteria for choosing benchmarking partners are:

- Organizations that have received distinctions or awards for outstanding results.
- Organizations that appear positively in the media.
- Industry and business associations that have notifications about benchmarking partners.
- Independent reports and scientific papers, government institutions, universities or trade organizations.
- Personal experiences of individual team members.
- Advisors of the organization.

Care should be taken when choosing a benchmarking partner because organizations that achieve top results in one area may not be as good in other business areas.

Requirements for the benchmarking process

The basic condition for the application of the benchmarking technique is to change the way of thinking and work of managers in the production organization. In many organizations, managers are burdened by traditional ways of thinking and are usually unwilling to accept the way of thinking and working methods that have been applied in the developed part of the world. However, a prerequisite for improvement is the realization that radical changes cannot be achieved with such personnel.

All questions of the type: "What to do to reduce costs and increase sales" should be translated into questions of the type: "What specific knowledge and skills should our staff have to increase sales and reduce costs? How to implement certain processes to meet customer requirements?" etc..

The application of the benchmarking technique in the organization is carried out in a team composed of experts from those processes that are the subject of analysis, and at the choice of the organization's management or its leader. The team leader can be a person trained in benchmarking from the organization or a benchmarking consultant hired to train and implement the method. When choosing team members, one must take into account their qualities in terms of the tendency for teamwork, the desire for improvements, the ability to make realistic assessments, persistence and the willingness to constantly learn and overcome obstacles in the work. Team members must have a good knowledge of the process that is the subject of improvement, the participants of the process, and must have a sense of internal and external communication. In addition, team members must master certain teamwork methods (eg Brainstorming method). All team members have the same powers and responsibilities, and the team leader is only one of the members who makes the most sense for coordination tasks. The work team leader organizes meetings and reports to senior management on work results.

The application of benchmarking implies that the organization's management is ready to give up a fixed hierarchical structure and radically approach improvements.

The management also has to decide what is being compared, who is the benchmarking partner, the way of communication, what information is secret for the benchmarking partners, which collaborators are engaged in the project and how much financial resources are necessary to implement the benchmarking process..

Benchmarking in the production organization

To begin the selection process for benchmarking, a critical review of the organization's strategy must first be performed, after which the benchmarking objectives will be outlined.

After identifying the critical factors of success and differentiating ability, a description of the weak and strong within the organization is made. In doing so, priorities are determined depending on strategic importance, critical success factor or ability to differentiate.

Priorities were determined for one production organization, which was divided into four groups:

Priority 1. Product quality is a strategic element, critical success factor and differentiation competence. This process can be improved to become even stronger, thus more capable of competitive combat.

Priority 2. The production process is a strategic element and a critical success factor, but not the ability to differentiate. This parameter is a critical factor for the long-term success of the organization. The process was selected for a benchmarking project called "Manufacturing Process Reorganization."

Priority 3. This priority includes the parameters of marketing, development, procurement, production preparation, quality control, storage, shipping and transportation. Although there is only one parameter - storage and shipping, the critical success factor and other elements must be an integral part of the plan, so that in the subsequent consideration and review, one of them will appear as a critical success factor.

Priority 4. The following parameters are included here: quality assurance, maintenance, servicing, general and financial affairs. These parameters are not strategic elements, but they are critical success factors with or without differentiation competence. The parameters are suitable for a benchmarking project because some of them can be approved as a strategic element. For example, the maintenance function can identify a potential customer, to accept the organization as a reliable partner. Thus maintenance becomes a strategic element with or without the ability to differentiate.

After determining the priorities, the benchmarking project is oriented towards the strengths and weaknesses of the organization.

Within the benchmarking method, a SWOT analysis (Figure 2) is used, which provides a systematized approach to the selection of strengths and weaknesses within the organization. This analysis got its name from the abbreviation for strengths, weaknesses, opportunities and threats - SWOT.

Opportunity is any favourable situation in the organization's environment, i.e. a trend or change or perceived need that increases demand for a product or service.

Threat is any unfavourable situation in the environment that can harm the strategy or can be a barrier and can cause problems in the management of the organization.

Strength (potential) is a resource or capacity that an organization can use effectively to achieve its goals.

Weakness is a limitation, error or deficiency in an organization that keeps it from achieving specific goals.

Internal environment

External environment

	Strengths (S)	Weaknesses (W)
Threats (T)	To oppose ST strategy	To avoid WT strategy
Opportunities (O)	To use SO strategy	To search WO strategy

Figure 3. SWOT matrix

SWOT analysis is used to analyze the complexity and disorder of the environment and their effect on the observed organization. It is performed to determine whether the organization has the necessary potential to cope with specific forces in the environment (in the case of the benchmarking method, it is the competition). The analysis identifies:

- external threats and opportunities;
- special competencies that would protect the organization from those dangers and improve weaknesses.

Special competencies are what the organization does particularly well. When it comes to "Reorganization of the production process", a detailed analysis, definition and documentation of the production process is required.

From the customer's point of view, the production process must be set up in such a way as to guarantee product quality and agreed deadlines, while from the management's point of view, the goal is to increase production efficiency with minimum costs.

A SWOT analysis (Figure 2) requires us to determine which elements of the process are strong and which are weak.

The strong elements of the process are: a qualified workforce, existing equipment, high-quality input material and fully adequate work documentation.

The weak elements of the process are: the absence of managerial methods in process management, the organizational structure of the hierarchical type process at multiple levels, and an undefined way of managing production.

During the analysis, the advantages of the strong, the advantages of the weak, the disadvantages of the strong and the disadvantages of the weak are determined and appropriate strategies are determined for each of the four cases..

Based on the conducted internal analysis, the collection of external data from the selected benchmarking partner is approached. Communication with the benchmarking partner can be carried out by an engaged consultant or one of the associates who has previously had contact with the selected organization. The collected external data is systematized and compared with the results of the internal analysis and the proposed strategies, whereby the final collection of appropriate measures for improvement is made. Since new knowledge was gained during the collection of external data, it is necessary to implement this knowledge in one's organization. The results must be available to all team members and participants in the benchmarking project.

In some cases, the proposed measures require radical changes and the setting of new goals, which again entails a review of the set plans. All plans are adjusted to new goals, and from this, plans and instructions for specific actions are developed.

Conclusion

The formalization of benchmarking as a management tool implies the development of methodological bases for its application. A precisely developed and defined benchmarking methodology is the basis of its adequate implementation in organizations.

After the comparative analysis, we determine comparative differences that have a quantitative and qualitative aspect. The quantitative aspect of the comparison is most often manifested through absolute or relatively expressed differences, which indicates the direction of movement of some phenomenon - growth, stagnation or reduction. Qualitative differences are closely related to quantitative differences (deviations). A difference in quantity usually indicates a difference in quality. By comparing and determining the differences, the goals are examined so that the organization reaches the desired level of competitive organization or reduces the difference, and on the other hand, to improve its competitiveness and further distance itself from its competition by continuously increasing the difference in performance.

The application of the benchmarking technique in production operations requires a change in the way of thinking and working, first of all, of managers, and then of other participants in this process. Nevertheless, the application of benchmarking creates enormous opportunities to create new knowledge based on learning from one's own and others' mistakes and experiences and establishes a "learning culture" at the level of the entire organization.

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