

BENCHMARKING, A NEW FASHION IN THE STRATEGIC MANAGEMENT?

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Abstract

In the actual conditions of the globalization and extension of the markets throughout the world wide, the realization of the comparison between products and services, between economic entities, has become an indispensable instrument in the establishment of the real situation of the own firm comparing with that of the other firms and for the identification of the most appropriate practices of improvement of the existent situation. By using some modern management instruments, the firms try to increase their competitiveness in the actual business environment. Benchmarking comes to help the firms surpass the problems, to gain durable competitive advantages through the development of the strengths and by reducing the weaknesses. The paper proposes to emphasize the necessity of using benchmarking, the application methodology, the advantages and the disadvantages of the new process, as well as the concerned critics.

Keywords: Benchmarking, benchmark, the benchmarking application methodology, performance, the best practices, the advantages and the disadvantages of the benchmarking.

What does benchmarking mean? Why do we need it?

Benchmarking comes from geology, it has the meaning of reference point, which, situated upon a building is used as a reference point in order to determine the height and the position in the topographic prospecting. Nowadays, in business, it is used with the same purpose: *the choice of a reference point in order to assess.*

Benchmarking is a technique specific to the management and it is used by the commercial societies, the public institutions as an instrument of improving the quality and the performance. The process consists *in the detailed evaluation and analysis of the procedures and of the results of some economic entity considered as a pattern (a referential one) having as purpose the adoption of its good practices and the receiving of some results similar with those of the entities which already apply the benchmarking.* It is based on the research of the quantity indicators and qualitative analysis of the leader products. It has become a standard of evaluation for all the domains of activity, but especially for businesses.

This technique brings a progress to the classic and obtuse attitude of extrapolation of the future objectives comparing with the previous realizations marked with x%, according to our external information. The innovation consists in discovering the concurrence's performances and also of other societies and of their way of resulting, having as purpose taking the decisions necessary for reaching these results or even to exceed them. The continuous scan of the external environment helps the entity to a better anchorage in the competitive reality; an external view reduces significantly the risk of being taken by surprise.

In David T. Keans' vision, who is an employee of the Rank Xerox Company, benchmarking represents "a continuous process of measuring the products, the services and the practices of some company with the most powerful competitors or with those companies considered as being the leaders in a certain domain."

According to the definition of Robert Camp, also an employee of that firm, “benchmarking is the research of the industrial practices which lead towards superior performances.”

The American society Ameritech defines benchmarking as being: “the identification and the implementation of the best practices in order to obtain superior results regarding the satisfaction of the clients and the performances in businesses.”³¹

The evaluation within this process has as a starting point, defined “**benchmark**” the point of reference used as a comparison pattern for the present performance. An example of benchmark can be the competition, the clients’ expectations, the profit level, the sale figure, and other key indicators. Taking the way which leads towards the best practices is a good way to reduce the disordered actions which do not have a precise purpose.

Benchmarking is effective from the point of view of the cost and of the time, because the process involves more imitation and adaptation than pure invention, and the time and the money are saved. The partners of a benchmarking promote an efficient pattern, which reduces some efforts concerning the planning, the testing and the creation of prototypes.

The central idea of benchmarking can be easily summarized. You choose a society which executes the process better than you do, and then you copy what this one did. This is also the main source of critique brought to benchmarking, *meaning the copying from other sources. How can an organization be truly superior if it doesn’t invent in order to outrun the concurrence? It is a good question, but without wrangling, we can also say: how can an organization survive if it loses the contact with the external environment? In my opinion, it has to be found equilibrium between the adoption of “the best practices” and the knowledge of the external environment as to neither of these two to have to suffer. Anyway, the copying of other companies’ politics cannot be realized identically, they adapt to the reality within the company which applies the benchmarking.*

Of course, there have been critics brought to the new process, Philip Kotler mentioned in his book of reference, “The Principles of marketing”, citing the opinions of some specialists, that through benchmarking, the firms wouldn’t be so creative, being tempted only to imitate the best of them and this way it is created only an equality of these ones. Also, it would be given a too large importance to the competitors’ analysis, in the detriment of the clients’ analysis, which constitutes “the base engine of the business”. *In my opinion, these affirmations are not funded, because even if we try to copy the practices of other societies, these ones do not stop so that we could reach them, they progress searching day by day other development solutions, the concurrence examination being made in a tight connection with the clients’ needs.*

What does benchmarking presuppose? The application methodology.

For an organization, benchmarking consists in the following steps:

- To analyze in detail the own processes and approaches.
- To compare the processes, the practices and the results with different locations, with the best from, inside and outside the activity domain, being placed in the country or outside.
- To action in order to equalize or even to outrun the best.

Such a learning process involves the identification and the selection of the excellence points and criteria, upon which the entity aims to an improvement, a constructive exchange with the exterior, a good understanding of the best practices and the adaptation of these practices to the specific of the aimed organization (applying the standards and the objectives).

The benchmarking application methodology

A benchmarking process presupposes to go through the following stages which are distributed in five phases:

1. The identification of the subjects and of the benchmarking object
2. The selection of the benchmarking reference partners

³¹ Scurtu, V., Russu, C., Petrescu, I. (2006) Benchmarking. Teorie și aplicații, București, Editura Economică

3. The research process on the Internet
4. The analysis of the performances and the identification of the variance causes
5. The fixing of the performance levels
6. The communication of the analysis results
7. The establishment of the functional objectives (aims)
8. The development of an action plan
9. The identification of the benchmarking object
10. The readjustment of benchmarking

These steps reunite in the following phases:

- a) **The planning phase** consists in the preparation of the researches which must define what, who, and how:
 - What precisely must we research?
 - With whom must we realize the comparison?
 - How can we obtain the information?
- b) **The analysis phase** presupposes knowledge of the used methods and a rigorous evaluation of the advantages and weaknesses. The problems to which we must find an answer would be:
 - *Is the benchmarking partner the best in the domain?*
 - *If yes, why is that?*
 - *Which are the methods which he utilizes or which he intends to utilize?*
 - *How could these methods be adapted within the own organization?*

The answers to these questions will constitute the base for the establishment of the performance interval and of the direction of the future action: the maintenance of the achieved advantage.

- c) **The integration phase** is constituted in the process which allows the utilization of the analysis results for *the establishment of the operations objectives*. It is necessary to make an attentive planning, well-considered in order to incorporate the new methods achieved within the entity.
- d) **The development phase.** The results of the benchmarking must be emphasized within some applications which allow recurrently evaluations in order to establish the evolutions, the obtained progresses. Also, there will be taken into consideration measures of updating the process, because *the only constancy of the modern world seems to be the change*. This way, the entity must dispose of a very rigorous surveillance system of the concurrence in order to apply successfully the “best practices” in which there are elaborated the action plans, being measured the obtained process and it is in search of extension ways towards other domains.
- e) **The maturity phase** is reached when all the methods have been applied and when a progress has been obtained. Also, benchmarking must become an essential element of the management process within the economic entity.

The advantages and the disadvantages of the benchmarking

Benchmarking has multiple advantages, the experience Rank Xerox formulating the following benefits:

- Benchmarking brings the latest innovations and the inventions to manage the processes
- It constitutes an efficient instrument for team work
- It improves the knowledge of costs and performance of the products and services comparing to those of the concurrent companies
- It brings together all the divisions and helps creating a common front to keep up with the competition
- It emphasizes the importance of the personnel’s implication and in consequence it encourages the recognition of the individual and of the team merits.

The advantages mentioned above can be synthesized this way: team work, comprehensibility, flexibility, creativity, progress.

Team work: benchmarking cannot have success without the total implication of the project members. They create a common front, within the organization, offering a common aim to reach. Also, it includes the ideas and the concerns of those involved in the process. Along with good work on such a project comes recognition, meaning the reward offered for the effort made, both to individual and team level. This is achieved by setting goals, then meeting, or exceeding them.

Comprehensibility: Unlike some methods, benchmarking is easy to understand. This is due to the fact that benchmarking produces a direct comparison to another organization. After determining whom to follow, you study what they do, and emulate it. There is no misunderstanding of the overall goal of being the best.

Flexibility: Benchmarking is flexible and interdisciplinary, being used in almost any organization, public, private, or, non-profit. It is appropriate for a large multinational corporation or a local shop, from a federal agency to the government of a small village.

Identifying the best practice does not necessarily mean that the competitor has the best solution. This sort of out-of-the-box thinking can create new standards rather than emulating someone else's practices.

Creativity: Sometimes organizations must know where their goals are, but the path to meet them is not clear. Furthermore, even if another organization is perceived to be doing something the best, it does not mean it couldn't be done better. After clearly defining goals, however, it is easier to come up with innovative ways of getting there. It could also be created new ways of obtaining information or making partnerships, such as Remington, a shotgun shell manufacturer, getting information on how to make shinier shells from Maybelline's lip stick containers.

Evolution: Benchmarking develops with the consumer and doesn't require major costs. As things change in the world, so does who is the best. Because benchmarking involves constant reiteration, evaluating and changing, it changes as the market or consumer does. Although benchmarking is constantly in change, it isn't a big price tag up-front. All one needs are office supplies and a list of the best performers to get started.

To these benefits mentioned previously, unfortunately there is a series of disadvantages which cannot be neglected: it can require a large investment in time, labor, and capital. Costs for a large project can easily reach into the hundreds of thousands of euro. These can be minimized through careful, thoughtful, and deliberate planning.

The size of the benchmarking project: The size and scope of a benchmarking project is related directly to the cost. An easy way to minimize costs is to take on a stepwise approach which leads to a minimization of the amount of investment and risk taken concurrently.

Dividing Costs: Organizations can pool resources by taking joint benchmarking projects and dividing costs accordingly. This is more easily done in organizations that are not directly competing, such as government agencies. Various organizations have pooled their resources and knowledge into benchmarking groups with excellent results.

Consultants: Many consultant firms will also aid the organizations involved in a benchmarking project. These organizations have the technical knowledge and experience to more efficiently gather and interpret data. Careful background research of a consultant must be made to make this process more effective and it comes at a price.

The cost of the education and of travel: Benchmarking does require education and travel costs. Once a team is chosen, they often need to be educated on the methods of benchmarking. This is accomplished through workshops, seminars, meetings, and courses. Then, this information must be disseminated to others. When researching organizations, sometimes it is best to see the organization in action and meet with the team that performed and implemented the changes to gain first-hand knowledge of the processes involved.

Communication: One of the most important methods of keeping benchmarking costs low is effective communication. This involves knowing what you need and where your own deficiencies are and sharing information about yourself. Also, informing others inside of your organization of what has been learned through reports, analyses, etc. and its method of implementation involving flowcharts, matrices, schematics, etc. is critical. Clear communication also lets management know how the project is going and

its status, this reducing confusion and conflicts among management and the team and among team members themselves.

One of the biggest mistakes made by the organizations when they apply for the first time benchmarking is that they limit their activity of benchmarking only to their industry in which they develop their activity. Benchmarking within your industry is essential. However, you already have a pretty good idea how your industry performs so it's necessary that you reach outside and above your own industry into other industries that perform a similar process but may have to perform this process extremely well in order to succeed. The economic entities must learn how to defeat the concurrence by adapting some similar processes from a different industry. Customer surveys indicate long wait times for hotel rooms, especially for repeat Customers. Taking as an example the minimization of the hospital emergency room departments resulting in dramatically reduced check-in times, the hotel adopted measures meant to automatize the reservation of the rooms for the repeat customers, in order to efficientise their time. Also, netted less employees needed, automation for frequent hotel guests, and many more process improvements have been made.

Conclusions

As it can be extracted from the content of the paper, benchmarking obliges the entity to establish its purposes and objectives based on an external reality. *The clients* are not interested if the productivity of the product or the service has increased from one year to another. *They are affected by the quality, the cost and the delivery terms*, these features being primordial when choosing the products.

Benchmarking is an instrument of accomplishing the objectives of the competitive business. It is extremely powerful and efficient when it is used for accomplishing the adequate objectives, aligned to the firm's strategy. But it mustn't be regarded as a method that can replace the rest of the efforts for the realization of the quality or the rest of the management processes.

For a durable functioning, the firms must come with innovations and also to imitate. Benchmarking *increases the innovation* by demanding those who practice this method to constantly maintain under observation the external environment and to use the obtained information in the improvement of the process. The possible losses can be localized and adapted in time.

Benchmarking does not represent a substitute of the innovation; it is a source of ideas coming from the exterior of the entity. The success in business depends on the establishment and the accomplishment of the purposes and objectives.

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