

REALITIES AND FORECASTS IN BENCHMARKING

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Abstract—Firstly, the paper presents the advantages of using benchmarking in modern organizations, with direct involvement in management processes and relations. We even stipulate the appearance in the future of a “relationship benchmarking”, destined to improve organizational relations. Secondly, the paper tries to convince that an efficient benchmarking has a cyclic structure. To improve the quality of its products, processes and relations, any organization activating in any domain must participate in this cycle. It is the shortest way to performance in the knowledge economy.

Keywords—benchmarking, cyclic, performance, managers.

I. INTRODUCTION

IN Western Europe, the Americas and Australia - but not only there - benchmarking was, is and will remain one of the most used methods of boosting the competitiveness of the firms being on top of the charts in many areas [1].

Retention existing in Romania on its use by managers is often unjustified. It is - unfortunately - often maintained by the exaggerated highlight of its disadvantages in the Romanian literature.

The skepticism of Romanian managers might be caused by the lack of consistency in the treatment and analysis of this method in the literature [2]. Often, in the same book, benchmarking is defined both as "a management tool" but also as a "process" or "management technique".

Of course, in its complexity, the term can encompass all these meanings and even more (method, process, etc.), but it should be explained simply without confusing readers interested in benchmarking [3].

So benchmarking can be regarded as a method, and as a process, but may have any of the previously presented tones.

In developed countries, benchmarking was first used in production, but is currently applied almost anywhere.

Thus, we rely on benchmarking to:

- 1) *increase the effectiveness of an action or organization;*
- 2) *increase the quality of products / services or processing / activities within a company;*
- 3) *increase profits or other financial indicators of the*

organization;

- 4) *assimilate new knowledge, technologies and different innovations;*
- 5) *make more informed decisions;*
- 6) *understand the mechanisms of collective and organizational performance;*
- 7) *correct a wrong business processes or to improve those that are not carried out properly when;*
- 8) *exclude complacency and capping of the organization;*
- 9) *implement or accelerate change;*
- 10) *choose and achieve challenging goals; and*
- 11) *accelerate the development of products, technologies or new business.*

II. ADVANTAGES RESULTED FROM THE BENCHMARKING PROCESS

Often, leaders from around the world want to discover the shortest way to improve organizational processes and to obtain better results. Some have found that participation in firm benchmarking processes may lead to finding those answers.

To convince others, we recall some essential advantages of benchmarking:

- 1) *Eases the comparisons that a company can do with some of its competitors, while also ensuring the confidentiality and data running in this process.*
- 2) *Allows the use of an extremely wide range of evaluation indicators for different levels of competitiveness.*
- 3) *Given the context of knowledge management, it helps organizations to produce, in the computerized databases, a true "front" of information as the basis for comparison for long periods of time.*
- 4) *Contributes to the company identification of the needs to improve, the priority measures to be taken, emphasizing in this regard also which are the emergencies.*
- 5) *Creates opportunities for both organizational development and the progress of organization members collectively or individually.*
- 6) *Helps organizations to discover strengths and weaknesses and adapt their strategies so as to be exploited first and the latter to be removed. (In other words, is an important source of information for a proper SWOT analysis)*

- 7) *Facilitates business partnerships and other collaborations between different companies.*
- 8) *Stimulates fair competition and, in parallel, discourages the unfair one.*
- 9) *Allows comparisons at all levels: local, national or international.*
- 10) *It is a method that usually leads – through the measure that follow after its implementation - to a guaranteed increase of consumers' of goods and services satisfaction.*

It should be noted that all the above is not achieved instantly through benchmarking, but are results that appear after the period of participation in this process.

III. FORECASTS IN BENCHMARKING

Benchmarking is usually initiated on the internal plan of an organization, thus seeking to improve the work of departments by taking the positive elements of other departments, or externally, aiming to: obtain organizational performance (competitive benchmarking), improve certain functions of the organization (functional or process benchmarking) or improve organizational strategy, followed by finding ways to achieve competitive advantages (strategic benchmarking) [4].

From the point of view of this classification, we notice the use of benchmarking process to improve management processes and functions. However we predict that in a society where social norms, cultural and moral suffer more frequent and surprising changes, there will appear also a relationship benchmarking that will help improve management relations (in particular), all relations between organization members and relations between members of several organizations in general. This new type of benchmarking will be necessary because of the direct repercussions of the relationship established between people on company results.

Even in the case of a high degree of computerization of the business, the relationship made through an IT communication network is finally also a relationship between human factors. Artificial intelligence, which takes processes and transmits messages, does all these in the manner provided by the system designer and user. So the more it will be required a benchmarking of these computerized relationships.

Another need for the emergence of relationships benchmarking is the size of these relationships (compared to the human relations): social, economic, legal and technical-material dimensions.

If until now primarily companies participated in benchmarking with other organizations in the same business or similar or related areas, further the likelihood of a benchmarking between companies with very different activity profiles is increasing. Although this third-party may seem bold a prediction, considering it carefully, we find that it could bring many benefits to organizations involved. It is not impossible, for example, that a machine manufacturing enterprise to improve the staff recruitment and selection processes based on the

conclusions drawn from a benchmarking that it had been involved in: enterprises in other industries, farms, municipalities, hospitals, governmental organizations, trade unions, charities, etc.

Of course, in each of these areas there are certain characteristics that distinguish the activities and differentiate an industry from another. But there are phenomena, transformations, procedures that can serve as an example to other industries and can be taken by them with great success, and can serve as a benchmark to improve their processing and procedures. Among the advantages of such a generalized benchmarking, we recall the following:

- 1) *Stimulating human resource creativity by providing successful examples yet not found in a given area;*
- 2) *Availability of much larger and more complete images in terms of organizational processes, than those obtained from a benchmarking conducted on a particular industry;*
- 3) *Extended possibilities for analysis and diagnostics for managers;*
- 4) *Increase the acceptance of change, especially among managers;*
- 5) *There is a strong flow of information and data captured in the organization, used either immediately or later;*
- 6) *Stimulating improvements that normally follow benchmarking by example offered by the company organization which are not competing;*
- 7) *Elimination of prejudices and inhibitions, about providing data, which appear to initiate a benchmarking between rivals.*

It may of course that these forecasts do not come true exactly as displayed here. However, there will appear new forms of benchmarking, which probably will include those mentioned. This method of management is in constant transformation, and the future it can even be the base of new management methods.

IV. THE BENCHMARKING CYCLE

Benchmarking is often part of the reengineering process of an organization or a broader process to improve its quality assurance systems. But also in other processes or transformations that enterprise goes through in order to achieve certain performance, benchmarking always plays a crucial role. Comparison with other organizations can be the first step on the road towards improvements; the first impulse to competitiveness. To make such comparisons, benchmarking process is based on five essential elements.

The first element is the benchmarking partners - those organizations who agree to share data with the company concerned and especially supports the idea that all participants follow the progress and performance, not just one. For effective benchmarking partners must demonstrate excellence in their field.

The second element is the list of performance indicators to be measured and analyzed indicators

covering some or all activities in the organization.

Another necessary element is a set of unique reports in which the benchmarking partners collect the necessary data.

The fourth essential element is the evaluation committee, which collects, analyzes and processes data partners, and then develops the final report.

And the last item - but perhaps the most important - needed in a benchmarking process is the combination of

two basic characteristics that should fit closely the other four elements: trust and confidentiality.

A truly effective benchmarking process develops cyclically (Fig. 1) and repeats for two or three years to effectively monitor progress of participants. An open, incomplete cycle, resulting from the application once the benchmarking is likely too small to lead to performance rather resembled an occasional marketing research.

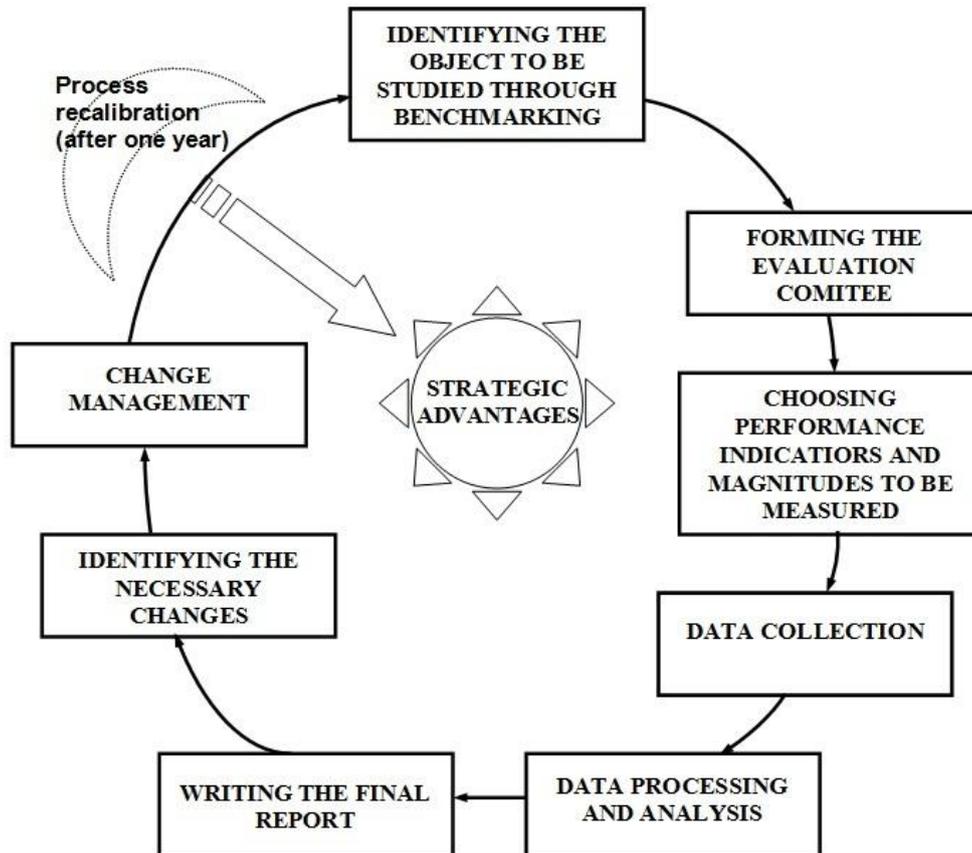


Fig. 1. The cyclic structure of benchmarking (adapted from [3], here improved)

If one wants to improve two or three processes or different organizational functions, participants must be convinced of whether to explore two or three different studies. Sometimes it is possible through strategic management to improve more activities after a single benchmarking process.

The first step in initiating a process of benchmarking is to identify the object of study. So, first one must set clear what is to be analyzed (in order to improve): a product, a function of organization, process, business strategy, etc. particular performance. It is necessary to set realistic goals for the period that is only beginning. Then it is necessary to establish coordinates of the cycle in an area accessible to the partners.

The second step is the formation of a committee and its training to be able to coordinate on benchmarking. It may be a general one (including people from other fields, industries or economic sectors) or a branch committee. An organization may have a branch committee formed by

choosing representatives from: their customers, business partners, suppliers of raw materials or services, competitors and other organizations working in the same field or related fields.

The Committee establishes performance indicators used in benchmarking as a basis for comparison and defines the number of items (magnitudes) to be measured. Then, it selects a unique form of reports to be completed by participants, distributes these reports, which then it collects, with all the data contained in them. Typically, to ensure full confidentiality, the Committee shall elect a coordinator, who only has access to all data. Benchmarking participants do not know who the coordinator is. After collecting data, the coordinator analyzes and processes them in accordance with a procedure previously designated by the committee. Then he drafts the final report describing the results of each participant compared to the other. Data and results of each participant are encrypted and only the coordinator

knows the identity of each participant.

Participants instead recognize each of their final report only through their own code. They can instead evaluate the position of the object that is analyzed in terms of benchmarking, which is the gap which separates the first or last position in the charts.

Each of them will try to identify changes and their implementation. After a year, to highlight whether or not the change management acted in an effective manner, the benchmarking cycle is repeated. Participants will usually find out, after two or three cycles, that they are acquiring considerable strategic advantages.

If in the benchmarking cycle (Fig. 1), the participants choose the training, in the second step, a general committee, the process methodology does not change. It appears instead an advantage: several industries, industries or economic sectors may give participants ample opportunity for comparisons. To achieve such a goal, the committee generally consists of several industry committees, who "assemble" - in step 6 of Fig. 1 – their final reports.

The general committee and the industry are facing during benchmarking with some difficulties:

- 1) *Consensus on performance indicators to be used by committee takes time.*
- 2) *Definition of measured data is a laborious step. There is a danger of not choosing the most representative data or data to measure a number of different optimal (too few or too many).*
- 3) *Out of ignorance, misunderstanding, or inadvertently, participants can gather incorrect data. Negligence may lose some data.*

- 4) *It is usually noted that the participants are tempted to provide a limited amount of information. Many would like to communicate as little information about their company, but to get as many on the other.*

There may be situations where some participants are quick to make some comparisons with partners - with or without their consent - without a sound knowledge of how to process data and without sufficient knowledge even about their own data.

Although such situations may seem paradoxical, it usually denotes a specific behavior of market leaders who believe they know better what to do and that may continue empirically, from a certain point, a parallel process of "benchmarking on their own."

Unfortunately, this attitude shows a lack of the last element necessary to develop the cycle in good: trust and loyalty. It may be that this problem is most difficult for the committee [5].

Committee coordinator will help prevent if possible some of these difficulties and solve the others. If benchmarking cycle is properly executed, in many cases might take longer than was originally planned by the committee and participants [2].

But the advantages obtained range from improvement of operations or performance, to improve strategic management capacity of the organization and even change management, and finally crystallization strategic advantages. So, in the majority of cases, benchmarking is worth an extra effort and extra time consumption.

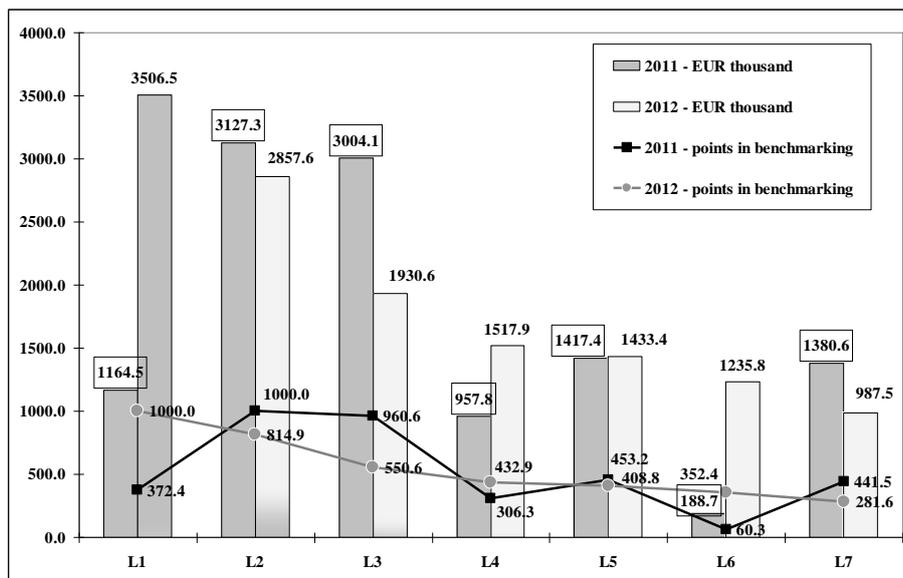


Fig. 2. The profit of the selected companies in 2011 and 2012

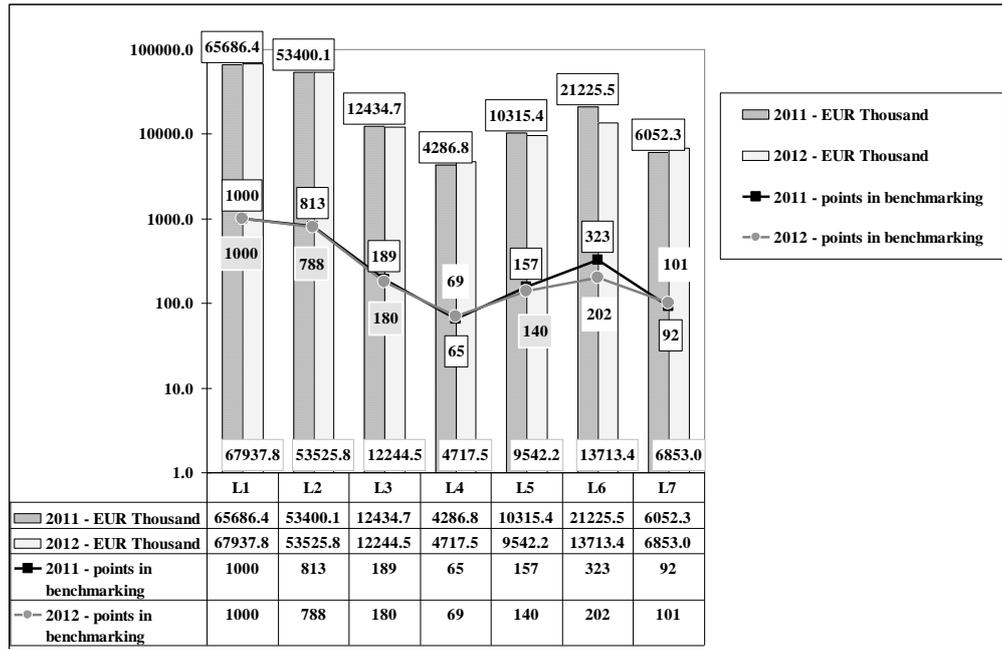


Fig. 3. The assets of the selected companies in 2011 and 2012

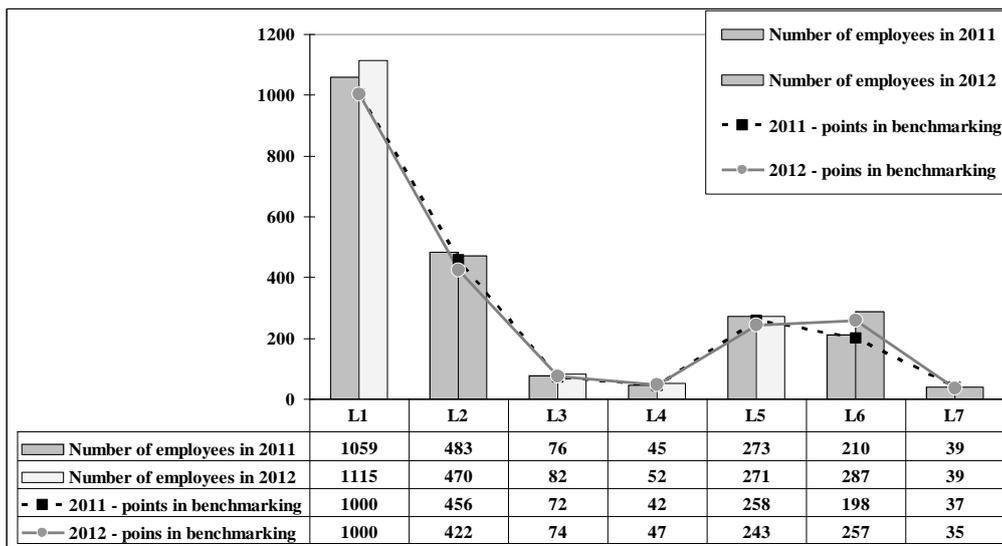


Fig. 4. The number of employees in 2011 and 2012

V. CASE STUDY: BENCHMARKING BETWEEN LOGISTIC SERVICES PROVIDERS

Benchmarking can be used in every economical sector. In order to simulate a benchmarking process, we selected seven companies from the top of Romanian logistics operators in 2011 and 2012 [6].

We presented in Fig.-s 2, 3, and 4, some of their most important results. Taking into account the data confidentiality, necessary in benchmarking, we didn't mention the name of the companies. We gave them the codes L1, L2, ..., L7.

The experts from "Transit Logistic Magazine" collected data at the end of every year, in a repetitive process, according to Figure 1. We selected from their

information [6] and from other sources [7], [8] only three of the most used evaluating indicators of the competitiveness of a firm: the profit (Fig. 2), assets (Fig. 3), and number of employees (Fig. 4).

In order to measure the financial performance of the firms, we accorded, every year, 1000 points to the company which registered the maxim value of each of the financial indicators: profit and assets. Also, we converted the euro into points (Fig 2, Fig. 3).

Similarly, we accorded 1000 points to the company which registered the maxim number of employees in the specified year (Fig. 4). This is a relevant indicator for the social performance of the firms.

We propose the use of the next general formula to calculate the performance of the logistic services

providers:

$$P = \sum w_i p_i \quad (1)$$

The score p_i of every indicator of a company can be received in Figs. 2, 3 and 4. For determining the weight w_i of these indicators, we must develop a marketing research regarding the logistic services consumers satisfy.

Of course, the relation (1) can be improved using more indicators. We have the intention to develop future studies regarding a more complex aspect of the organizational performance.

VI. CONCLUSIONS

Benchmarking can be considered the method, technique, tool or management process, but also a key process underlying continuous improvement, the introduction and retention of performance in an organization.

Expectations about the development of benchmarking in the world are extremely promising. In this paper, we have envisioned two possible branches of this development: relationships benchmarking and generalized benchmarking.

In order to achieve bold goals, benchmarking must have a cyclic structure. It can help to the creation of effective change management. In the knowledge-based economy it is one of the few methods that ensure a relatively high maintenance of the company in the charts of its field of activity, i.e. among major market players.

By benchmarking the progress of individual employees is supported, an organizational culture based on learning is developed, and the adoption of total quality culture is mediated. Participation in the benchmarking cycle is the shortest road to

competitiveness. Regrets for not having participated in such courses are always late, rarely being able to recover the strategic advantage that the organizations early involved in benchmarking had gained.

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