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## BENCHMARKING WORKSHOPS AS A TOOL TO RAISE BUSINESS EXCELLENCE

**Abstract:** Annual competition for national award for business excellence appears to be a good opportunity for participating organizations to demonstrate their practices particularly those ones which enable them to excel. National quality award competition in Serbia (and Montenegro), namely “OSKAR KVALITETA” started in 1995 but was limited to competition cycle only. However, upon establishing Fund for Quality Culture and Excellence – FQCE in 2002, which took over OSKAR KVALITETA model, several changes took place. OSKAR KVALITETA turned to be annual competition in business excellence, but at the same time FQCE started to offer much wider portfolio of its services including levels of excellence programs, assessment and self-assessment training courses and benchmarking workshops. These benchmarking events have hosted by Award winners or other laureates in OSKAR KVALITETA competition who demonstrated excellence in regard of some particular criteria thus being in position to share their practice with other organizations. For six years experience in organizing benchmarking workshops FQCE scored 31 workshops covering major part of model issues. Increasing level of participation on the workshops and distinct positive trends of participants expressed satisfaction may serve as a reliable indicator that the workshops have been effective in actuating people to think and move in business excellence direction.

**Keywords:** business excellence, benchmarking, TQM, national quality awards

## 1. INTRODUCTION

The term “benchmarking” looks quite new but the concept is as old as competition itself. Whether in industry, sport or in other aspects of ordinary life, one continually needs to reference his own performance against others. In its basic form, benchmarking is nothing other than a formalized way of learning from each other /1/. From the point of view of an organization benchmarking is first and foremost a tool for improvement, achieved through comparison with other organizations recognized as the best within the area. In philosophical sense, benchmarking can be defined as the practice of being unpretending enough to admit that someone else is better at something, and being wise enough to learn how to match or even surpass him. By its original meaning term benchmark denotes a predefined position, used as a reference point for taking measures against; there are several theories about where the word benchmark really comes from.

However, current and most operational definition describes benchmarking as the process of continuously measuring and comparing one’s business processes against comparable processes in leading organizations to obtain information that will help the organization identify and implement improvements./2/. It is widely accepted that the art of benchmarking originated in Japan. If one looks at the Japanese approach in modern

competitiveness, benchmarking is practiced in various ways. One of the mostly common and pretty effective approaches is loaning of employees to other companies. These secondments (usually referred to as special assignments) have provided several benefits: transfer of technology from and to employees, acquiring of specific knowledge which is lacking in proper organization but also developing the performance of managers and testing their abilities in new situation /3/. In 1979 Rank Xerox made an effort to take conventional competitive analysis of manufacturing operations one step further when it encompassed an in-depth, ongoing study of best competitors, a detailed reverse engineering of competitor product, technology processes, what they achieved and how they did. This led to Xerox company revival and benchmarking started to be integrated into the management process /4/.

## 2. TYPES OF BENCHMARKING

Different types of benchmarking can be identified out of what is compared and whom it is comparing against.

Depending on what is compared, following types may be defined:

- Performance benchmarking denotes a comparison of performance measures for the sake of evaluating how good is own company when compared to others;
- Process benchmarking is comparison of practices and methods used in business processes aimed to acquire knowledge from the best in order to transpose it in own processes.
- Strategic benchmarking means comparison of the strategic choices and decisions made in other companies for sake of collecting information to enhance strategic planning of own company.

If grouping derives from against whom benchmarking is carried out, the following classification can be made:

- Internal benchmarking is comparison between departments or units within the same organization. It is usually used in large companies where different sections are evaluated and compared to each other. Once one unit performs better than the others, practices can be easily transferred to achieve improvement. Internal benchmarking can be easily handled due to comparability of processes and accessibility of data.
- Competitive benchmarking is direct comparison of own performance/results against the lead competitor. Unlike previous type access to sensitive information and possibility of sharing is highly limited by legal and ethical restrictions in this type of benchmarking. Thus, competitive benchmarking is frequently focused on key figures only and often regarded as superficial.
- Functional benchmarking is a sort of benchmarking where partners, namely customers, suppliers and other companies belong to the same industrial sector. Therefore, it is easy to get in touch with companies and discuss the problems that are frequently similar.
- Generic benchmarking is comparison of own process against the best process in the surrounding, not necessarily belonging the same industrial sector. Such processes can be: internal audit, subcontractor ranking, human resource recruiting etc. and where managerial approach rather than industrial sector specificity is reflected.

There is a consensus among researchers in the field of benchmarking that all benchmarking processes should start by dealing with internal benchmarking because such approach (grounded on self-examination) provides a sound baseline for comparison with others. In addition, secure partners who share a common

language, corporate culture, organizational values, and also have easy access to data /5/.

On the other hand, internal benchmarking may appear time-consuming or inefficient if organization remains too focused on measuring its internal performance. Unlike previous one, competitive benchmarking yields a culture that values continuous improvement to achieve excellence, increasing sensitivity to changes in the external environment and sharing the best practices between partners. However, potential risk in competitive benchmarking application lies in the tendency to concentrate on the factors that make the competitors distinctive instead looking for the factors contributing to excellent performance /6/. In functional benchmarking a company is intent to observe a specific function in other company which even may not exist in its own. Potential problem in functional benchmarking may be encountered with complex functions (HR, IT) since valid comparison is not feasible without prior function disaggregating into processes. By generic benchmarking a company may obtain quick benefits in some key processes. Due to the fact that such processes are more practical and not distinctive in competitive sense, companies are usually willing to cooperate and open to deliver true explanations.

### 3.BENCHMARKING METHODOLOGY

Benchmarking is frequently described as a ‘tool’ of quality which is not quite correct. The application of benchmarking methodologies, however, differs from the application of other tools and techniques of quality management since they are applied at an operational level to yield local benefits. In essence, most tools of quality management are ‘task related’ and are used to reinforce the importance of data collection and the gathering of facts for decision making and process solving.

On the other hand, benchmarking is significantly more encompassing as a concept, since its main focus is on larger processes which may not necessarily have local impacts on the business but very much impinge on level of competitiveness of organization concerned /7/. Particularly in strategic benchmarking the issues aimed to build core competencies that will sustain competitive advantage of a company, are highlighted, e.g.: targeting a specific shift in strategy, such as entering new markets or developing new products; developing a new line of business or making an acquisition; and creating an organization that is more capable of learning how to respond in an uncertain future because it has increased its acceptance of change. Ostensibly, strategic benchmarking puts more emphasis on knowledge and learning rather than on conventional means like new technology or wider range of products and services. In other words, strategic benchmarking focuses on soft

rather than hard aspects of competitiveness since former are more likely to provide sustainability and continuity in business advancement /8/. Nevertheless every author has own benchmarking methodology, these approaches converge to rather general sequence of steps. Initial point is the identification of problem areas which may include: informal conversations with stakeholders, focus groups, in depth marketing research, reprocess analysis or process mapping.

The exploration continues with identification of other industries or companies that have similar process or are facing similar problems. When such a group of organizations is identified it is necessary to determine who is leader or the best in class. This step usually includes exhaustive consultation with customers, suppliers, financial analysts, trade association, magazines etc., to determine which company is worth studying. Upon selection of the company to be studied the benchmarker targets specific business processes using detailed surveys of actions and practices to identify business process alternatives. Typically such surveys are masked by neutral associations and consultants. Next step include visit the selected company with intention to identify leading practices. Companies are not reluctant to mutually exchange information that are beneficial to all participants in benchmarking and they are usually inclined to share results within the group. Finally upon learning about leading edge practices, one develops implementation plan for his own organization which is based on identification of specific opportunities, funding the project and distribution the ideas within the organization in a way to secure added value from the process /9/.

#### 4. SERBIAN BUSINESS EXCELLENCE AWARD AND BENCHMARKING

National Quality Award, namely 'OSKAR KVALITETA' was established in 1994 meant to be Yugoslav quality award and was awarded for the first time in 1995 with participation of 13 Yugoslav companies. The competition was organized by 'POSLOVNA POLITIKA' publishing company, with support of federal and republic authorities of Serbia and

Montenegro, those ones which were involved in quality issues: Councils on Quality of Serbia and Montenegro, ministries in charge for science and technology, Military Quality Control department, Federal Standardization Office, Yugoslav Association for Standardization and Quality, Chamber of Commerce of Yugoslavia, Serbia and Montenegro. The primary model was developed as a combination of globally famous models: Deming prize (rewarding companies and individuals for major advances in quality improvement), Malcolm Baldrige National Quality Award (recognizing performance excellence of US organizations) and European Quality Award (rewarding European companies as the best proponents of TQM). The model has undergone four revisions so far (1999, 2001, 2005, 2010) always keeping track of the changes taking place in globally recognized models, particularly EFQM.

However, crucial change relating to implementation of quality award program took place in the beginning of 2002 when "Poslovna Politika" along with 18 co-founders (respective companies from Serbia and Montenegro) decided to build up Fund for Quality Culture and Excellence (FQCE). The FQCE has assumed Quality Award administration and related affairs. In May 2003 FQCE was granted the associate membership of EFQM. Thus, FQCE objectives were established to be significantly wider rather than to remain solely Quality Award administrator. Taking over EFQM spirit, FQCE defines its vision to be: the environment in which companies implementing FQCE model excel (in Serbia and Montenegro) while positioning the Fund as a driving force in supporting organizations in Serbia to accept and implement excellence principles /10/. In 2004 FQCE began to organize benchmarking sessions. Based on the results obtained in latest National Quality Award competition, the fund proposes to the awarded companies to be the host for benchmarking session in which they will be able to demonstrate what approaches and solutions have them excel for the respective Model Criterion. Thus, the benchmarking hosts may be found not only among the winners in respective category but also among rewarded companies which scored excellence in certain Award criterion.

Table 1 FQCE Benchmarking sessions versus FQCE Model Criteria /11/

Crit Year ↓	→ I	II	III	IV	V	VI	VII	VIII	IX	Total
2004			1	1	1		1	1		5
2005			1		1	1				3
2006		1			1		2	1		5
2007		2		1						3
2008	1	1								2
2009			1		1		1	1		4
2010	1			2	1	2		2	1	9
Total	2	4	3	4	5	3	4	5	1	31

Table 2 FQCE Model criteria

Criterion	Title
I	Leadership
II	Strategy and Planning
III	Human Resource Management
IV	Remaining Resources
V	Processes
VI	Customer Satisfaction
VII	Satisfaction of Employees
VIII	Impact on Society
IX	Business Results

Table 1 and 2 above present the events held so far. It may be noted that all 9 criteria has been covered within 31 benchmark sessions held so far. Also, some criteria have more than one host from the previous competition cycle what gave an opportunity for benchmarkers to learn about variety of approaches that were validated as excellent.

As for the session structure, it is constituted of three parts. Introductory part is intent to provide an over view of the respective Model Criterion. This part is regularly given by FQCE expert or FQCE assessor who briefly elaborates the essence of the criterion and what is expected of a candidate organization to demonstrate its level of maturity in business excellence. The introduction usually does not exceed twenty minutes. Second part of the session is the opportunity for the hosting organization to present how it has understood the criterion and answered in the past Award competition, what approach they have in that regard and what are their own solutions that (in their opinion) led them to receive excellent marks.

The third, ultimate part is a discussion about the second part. The discussion is regularly moderated by FQCE expert/assessor; usually starts with questions requesting a bit detailed clarification upon presented solutions but after it turns in more open discussion where benchmarkers share the experience they have in the same area, what are advantages and shortcomings, what are opportunities and threats to obtain the optimal solution.

These FQCE benchmark sessions are benchmarking events that can't be easily identified in classifications mentioned in Section 2 of the paper. From the point of view what is analyzed (the topic), it is closest to process benchmarking since attendees are mainly keen to learn about the process of the hosting company.

At the same time, some discussions tend to have elements of performance benchmarking since benchmarkers have the opportunity to compare their performance (deriving from solutions in their own company) with performance of the host which has been validated in NQA competition.

Looking at the event from the angle of against whom benchmarking is conducted, FQCE benchmarking can be predominantly identified as generic benchmarking since major benefits benchmarkers are in position to draw from generic processes. However, some discussions at the benchmarking session have inclined to functional benchmarking since the discussion used to more problem focused while individual contributions were oriented towards problem solving.

## 5. FURTHER DEVELOPMENTS

FQCE benchmarking events yielded unquestionable benefit to benchmarkers what has been evidenced in satisfaction surveys. However, this type of events has some inherent limitations that cannot be overcome in current competition array. Current competition categories recognize only large companies and SMEs, meaning that all sectors are competing together. This fact constrains benchmarking event to have only generic character thus leaving majority of (sector specified) processes, functions and performance out of the cast of event. FQCE sees that the previous shortcoming will be overcome with introduction of sectorial NQA awards which will in turn trigger sectorial benchmarking events. Such sectorial benchmarking events will change the character of benchmarking. Instead of participating to generic benchmarking, benchmarkers belonging to the same sector will have opportunity to exchange thoughts on current problem in sector as well as to compare their own performance and results with hosting (i.e. lead) organization. It means that the event will become functional or even performance benchmarking that will yield much higher effects than the current ones.

These sort of benchmarking sessions grounded on excellence which has been identified in National Business Excellence Award competition unambiguously shows constantly increasing interest for participation. Not few number of attendees admitted that being registered against ISO 9000 does not secure an organization to become excellent one. Although the series of changes in the standard have been made, the crucial demand remained that an organization is to detail what it does and what claims to do, which is verified in a regular audit. Apparently very little time during audits is reserved for studying and analyzing the processes linked with business. Therefore, the effects of audits remain relatively modest which at the best is a perpetuation of mediocrity and at worst degeneration of existing systems /12/. These shortcomings have been identified in recent year and this fact opened space for benchmarking as an optimum impetus for seeking new ways of doing things and a tool for promoting a culture that is receptive to best practice and excellence.

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