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# Sequence of benchmarking stages for small enterprises

**Annotation**

The basic definition of benchmarking and how benchmarking is used on the enterprises is considered in this article. It was researched and analyzed the sequence of actions of benchmarking applying and the main elements of this method. Analysis of obtained information allows to conclude that benchmarking is a tool for increasing the competitiveness of enterprises, which helps the company to react quickly to changes in the market of goods and services.

**Keywords**

enterprise, competitiveness, analysis of enterprises, the company is the leader, benchmarking, business strategy, trade secrets, information gathering

**1 Introduction**

The main goal of every commercial enterprise is to maximize profits. To achieve success you need to put large amounts of effort to stay afloat and to monitor the activities of competitors. And if a competitor does better, it means he works in a different way than you.

It's very difficult to study competitors on the market because a large amount of information, which is not even a trade secret, is hidden and cannot be disclosed. What exactly has led to increase of demand for the services of a competitor is unknown: new motivation of staff, promotion, a good advertising campaign, a new logistics location company – we can only guess. Taking into consideration the culture and ethics of business communication it is possible to exchange information with competitors or partners. But this is only in theory, in practice it rarely happens when competitor will tell you about their path to success.

More and more foreign companies and enterprises use the method of benchmarking to identify the strengths and weaknesses of their business in compare to the ideal benchmark company.

Ukrainian entrepreneurs is perceived in bayonets such thing as "benchmarking", because reference comparison is not perceived as a method of managing, but as a regular competitor analysis or market research. For the skeptics comparison of the results of own company performance with the results of the main competitors is not a new idea. Gathering information about competitor's activities – the main function of operational marketing. However, the benchmarking method is more efficient than a mere collection of information. This tool allows you to identify opportunities for improvement and to stimulate a continuous process of development with the aim of increasing the competitiveness of the enterprise.

**2 Statement of the problem**

Benchmarking can be a valuable innovative tool in Ukraine, due to which there will be changes in socio-economic policy of the state, and then in the private sector, which plays an important role in the country's budgeting. Consideration of different definitions of benchmarking will determine the content and place of benchmarking in the overall enterprise management system. Analysis of the main components of the process of benchmarking will provide an opportunity to use this powerful method to enhance the competitiveness of not only large corporations but also small enterprises in Ukraine, annual income of which does not exceed the amount equivalent to 10

millions Euros at the average annual exchange rate of the National Bank of Ukraine.

**3 The main purpose of the paper**

The purpose of this paper is the refinement and detailed consideration of fundamental issues regarding the implementation process of benchmarking, in particular the answer to the main questions of small businesses who are not familiar with the international experience in benchmarking, namely:

- what factors should be considered before conducting research?
- what criteria should choose the leading company and on what aspects to pay attention to?
- what are the principles of work can be taken from the etalon company?
- how to apply in practice the received experience and to monitor the activities of the company in the future?

**4 Analysis of recent research and publications**

The theoretical and practical aspects of benchmarking a number of scientists, such as T. L. Vyshinska, A. V. Goncharuk, O. V. Arefieva, Zh.V. Gornostaeva, T. G. Golubeva, O.V. Kravchenko, L. R. Prus, O. O. Tereshchenko, Y. V. Tikhonov, E.V. Sokolova, V. A. Lipkan, S. Kramarchuk, etc. studied. Among foreign scientists there are Robert Camp, S. J. Harrington, M. Porter, G. Watson, S. Miller, B. Andersen, Gregory H. Watson etc.

Benchmarking is a mechanism of comparative analysis of the efficiency of one company with more successful firms by definition of Zh.V. Gornostaeva [1]. The term "benchmark" was borrowed from the construction and mining industry, where they are indicated a fixed point, whose location is precisely defined in three dimensions" it was mentioned in the work of E. V. Sokolova [7].

There is interesting definition of G. Siebert, benchmarking is a special administrative procedure of introduction in practice of activity of the enterprise [2].

The most accurate interpretation of benchmarking relative to this topic is the definition of S. J. Harrington: "Benchmarking is a continuous process, which opens, studies and estimates all the best in other organizations for the purpose of using knowledge in its organization"[9].

In the researches mentioned earlier it was studied the process of benchmarking and the peculiarities of its implementation in certain sectors. However, more attention is paid to the study of benchmarking as the

main lever in forming the competitiveness of enterprises. One of the problems that is subject to more detailed consideration is the sequence of actions of small businesses when carrying out benchmarking and overcoming the scare of Ukrainian entrepreneurs facing a new and unknown method that is considered as one of the three most common methods of business management in large international corporations. This shows the relevance of the topic, and formed the choice of areas of study.

**5 The main material of research**

Today, benchmarking is the best way of benchmark etalon comparison and is an instrument of international exchange of business information. Countries and companies that already use this method become leaders because they just noticed in time the weaknesses and the lag in their activities among competitors, and now due to this method they can learn not to stay behind and to use leading and proven experience to achieve their goals.

The term "benchmarking" comes from the English word benchmark, which means "guide", "standard". In Japan the term "benchmarking" correlates with the notion of "dantotsu", which means "care of the better to become even better". Even the phenomenon of "Japanese economical miracle" owes much exactly the method of benchmarking as a rigorous and complete study and copy products and technologies of the European and North American companies.

Today many world leaders, among which are Pepsi, Honda, Samsung, Unilever, Nokia, have separate benchmarking and comparative marketing departments.

In the U.S.A., Europe and developed Asian countries there is a network of organizations that conduct special studies, monitor and learn from the best, there is even a special "clubs" to find benchmarking partners that are funded by the state, there are special Internet portals, which allow you to compare your activities with other companies, to exchange information or even to buy a report on the work of a particular unit. And all is fair and transparent. Some Ukrainian entrepreneurs have already benefited from international practice, so as not found of like-minded partners in their native land, acquiring reports of foreign companies, which in the

end did not bring them the desired result. Due to the difference of conditions and the complexity of adaptation to the domestic market, these entrepreneurs have lost time and rather big amount of funds for the purchase of the report and communication.

Today in Ukraine to get quality and truthful advice reference of the enterprise is possible only thanks to personal contacts and communication between employees of different companies. Typically, such information can be obtained at conferences, exhibitions or seminars. But again, the information you will receive will be known to the general public, and therefore not always useful in the detailed analysis.

Ukrainian entrepreneurs, using benchmarking, need to understand how the competitors allocate their resources, spend money on research, patents and researches and developments, which will allow in future to reduce marketing costs and change the cost of goods or increase the quality of services provided. Quite often, the benchmarking is considered in the usual analysis of the competitiveness that helps to learn the product/service competitors – their cost and technology characteristics of the goods/services, economic and financial performance, relations with customers and suppliers. Competition analysis enables you to identify differences between competitors, but does not help to overcome these differences and win the best position in the market. A system of benchmarking, through comparison and analysis of the operation process, contributes to the understanding of the causes of differences between competitors, and allows these differences to be overcome.

The use of benchmarking has many directions. It is widely spread in logistics, marketing, personnel management, financial management, i.e. according to the activity of the enterprise benchmarking covers all spheres and directions of its activity [4].

To solve the main tasks we face, it should be noted that benchmarking should be conducted on a specific technology, which includes a number of interrelated sequential steps, which consist of the respective elements (subparagraphs). The number of such elements can vary depending on the activity of the company, the company's budget, goals, etc. There are many methods of benchmarking, but any process includes the elements shown in figure 1.

Benchmarking is based on the principles of

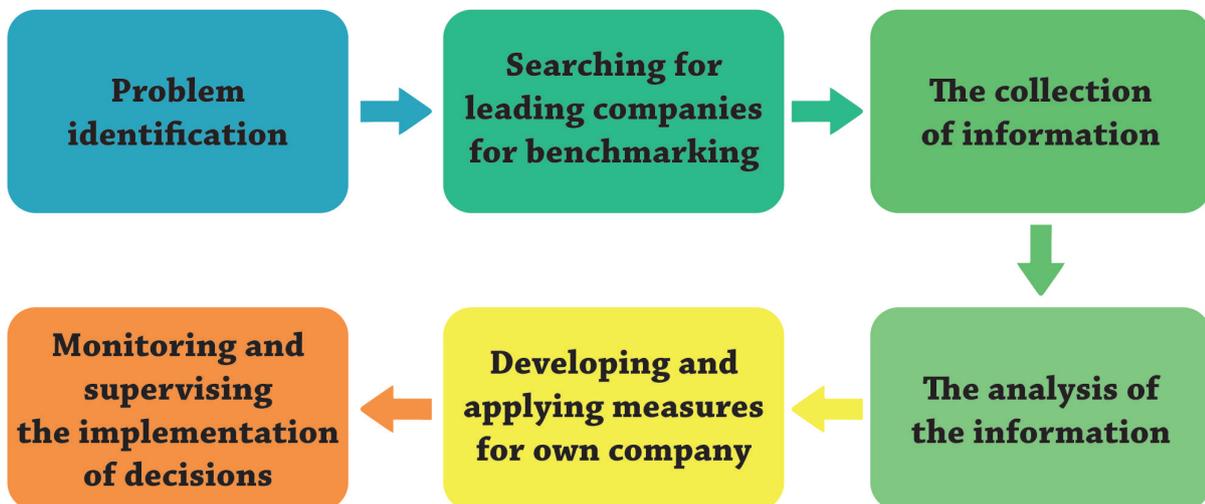


Figure 1 Elements of benchmarking

reciprocity, analogy, measurement and validity. Each of the elements depicted in the figure is divided into sub-items, which are discussed below.

Problem identification is the analysis of the internal environment of the enterprise and to identify areas of activity that need to be improved, determining the main criteria, which will be a comparative analysis. A very important stage, since the entrepreneur has the option to decide if the company benchmarking. Benchmarking will not be effective if the company is a monopolist or operates in conditions of perfect competition, when none of the sellers of a product/service does not have the market share to be able to impose other favorable conditions of sale.

The benchmarking project will be effective if:

- the market has a new competitor;
- the company enters a new market;
- there are significant changes in the enterprise-competitor (expanding the range of products/services, new advertising campaign, moving office, opening new branches, etc.);
- reduction in the average ticket price when loyal customers are more profitable supplier of goods/services.

At the initial stage such aspects must be figured out:

- the financial spends for benchmarking (costs of gathering information, wages of hired consultants and professionals, acquisition of samples of the competitor's product, the allocation of funds for the travel, incentive, etc.);
- human resources from the inner surrounding of the company: specialists (marketers-analysts, who analyze internal and external environment of the enterprise. Such staff already has some knowledge, so there is no need to spend extra money for their education. All the necessary information for benchmarking they can get from special sources of information (DSTU, GOST, regulatory and technical documentation, methods of benchmarking, manufacturing technology of the product, etc.) or by visiting master classes or special courses. If the enterprise is small and there are no experts, you need to hire professionals who have experience in conducting similar research;
- human resources from the inner surrounding of the company: consultants (in the course of the study, there is often a need to obtain relevant information on particular issues from specialists from other departments, such as economists, traders, engineers, technologists, financiers, logisticians, storekeepers, etc.);
- human resources from the external surrounding of the enterprise (outsourcing). Outsourcers can act as consultants to help develop a system of benchmarking, and as performers, who collect and analyze information;
- a variety of software (programs for monitoring the Internet, analyzers sites, programs for processing photos, video and audio, access to online databases for open data on companies, electronic archives, media, etc.).

## 6 Searching for leading companies for benchmarking

First step is to consider enterprises of competitors which demonstrate the best results. But it is

effective only when the company which conducts the benchmarking, there is a limited number of resources or market of goods/services has only one distinct leader. Rather often, it is difficult to choose one leader in the market, because different companies have best results according to different criteria: in some well-adjusted logistics, and secondly - the prices are lower, while others have the best service. So for comparison it must be used all of these companies. This should be an economic model for selection of enterprise standard.

Leading companies from other fields can also be useful, as can safely share necessary information. Most important in this case to adapt the organization of the business process from different kind of activities at their enterprises.

You can also use the information of foreign companies, but usually it is not easy that designing of their experience in our market environment brings expected results. On the other hand, the domestic market is actively attract foreign companies with already established standards of doing business.

The collection of information in the benchmarking takes place with one simple rule – the information must only be obtained legally. If benchmarking is not used neither bribery nor blackmail, nor illegal access to computer network of a competitor, or known in advance of any other illegal methods of obtaining information.

Information gathering should be as large as possible. It includes:

- analysis of service company – managers work with clients, secret buyers, official researches of the company;
- analysis of product and commodity policy and technical documentation, product samples, communication with the staff regarding client's preferences for a particular product, production technology, conditions of warehousing and storage, reclamation, etc.;
- policy to promote the product – supply agreement, internal documentation, invoices, acts of performed works, reports, advertising campaigns, communication with staff responsible for product promotion;
- work with company website – customer feedback, news, advertising sent to users, analysis of searching system keywords, participation in seminars, webinars and conferences, phone calls and order fulfillment.

Collecting information about the enterprise-leader includes: statistical analysis; data from specialized companies and associations; analysis of industry publications; the analysis of the companies controlled by standard Internet resources; analysis of uncontrolled Internet resources (forums, reviews); the study of technical documentation; analysis video; study of samples of goods; communicating with staff; communicating with non-profit personnel of the enterprise standard; the conversation with commercial staff of the company standard; communicating with the Contracting personnel of the enterprise standard; communication with the marketing Department of a company standard; the review and analysis of the prices of the benchmark company; analysis of the accounts that the company-the standard puts other market participants, and others.

## 7 The analysis of the information

First, the accuracy of the information is checked –

confirmation from other sources, and adding one fact by other. You need to trust the source of information and to understand his motives, so there should be long-term cooperation and a positive experience.

The second factor is prevalently information, is there any connection between the problem and retrieved the data and understanding whether the information obtained is useful in further work. The quality of the information is also important – whether it is timely, relevant at the time of giving conclusions and in sufficient quantity.

The result of this stage should be conclusions and recommendations for senior managers of the company. Any recommendation is aimed at changes in the existing system of pricing, promotion, maintenance and product policy, must be supported and substantiated by appropriate calculations.

When developing and applying measures for own company after benchmarking it is necessary to note that simply copying the workflow or schema of a competitor makes it impossible to get the same success rates. So, G. Watson said: "There are no companies with exactly the same business environment and culture. Without a detailed study of all the processes that need to be modified to fit the environment and culture of the enterprise, it is impossible to move the other practical methods of the enterprise. Therefore, "a shameless appropriation" will cause problems if the business practices of one company do not "translate" the language of the other" [11].

The following strategic decisions take most attention in the process of benchmarking:

- *Goods*. The use of new raw materials; improving manufacturing technologies with the use of non-waste production or reduction of consumption for its production; improvement of properties and characteristics, a change in packaging or appearance. Another option is the removal of the goods from the common items or the introduction of a new product.
- *Price*. Increase or decrease in commodity prices; improved bonus systems and discounts for permanent customers; creation of price steps for complex products (the basic product has a low price, he purchased the necessary components).
- *Service*. Improving the quality of existing services and introduction of additional services.
- *Promotion*. The use of new channels of distribution all of the shares, highlighting the competitive advantages of the goods and communicating this information to consumers.

Implementation of the received recommendations will allow in a certain period of time to improve indicators of relevance to small businesses: profitability, profit, revenue, number of new deals, popular businesses, market share, etc.. It can also be possible to increase the efficiency of employees, using different software.

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## 8 Monitoring and supervising the implementation of decisions on solving problems and improving efficiency

When benchmarking costs and expected revenues are fixed, which will come from making decisions. The fulfillment and over-fulfillment of the revenue plan will allow to recognize the successful introduction of innovations, failure to comply will entail the identification of causes and corrective actions. If at the same time to introduce a few new ideas, it is necessary to constantly track the performance of each of them that will allow you to broadcast successful experience on projects that will be in the future.

Consider the basic errors that occur frequently in the practice of the companies in the benchmarking stage and Ukrainian enterprises in the conditions of globalization, businesses need to avoid:

- The perception of benchmarking as "inspections" functioning of the enterprise, i.e. the study of numbers. In fact, benchmarking allows to figure out what is behind these numbers and what is the place of the enterprise in the industry.
- The assumption that existing and approved the "basic settings" can be used without modification.
- Reducing attention to service and customer satisfaction.
- Process large and complex to be manageable, it is therefore necessary to avoid the use of benchmarking relative to the entire system.
- The absence of a basis for benchmarking.
- Incomplete study of benchmarking partners. There is a code of conduct for benchmarking, which entails that you should never ask a benchmarking partner for information that you are able to find independently [5].

## 9 Conclusions

Benchmarking is the art of identifying what hinders the successful development of private enterprises, but the successful use of reference-enterprises. Proper use of experience of competitors and successful companies can reduce costs, increase profits, and optimize the selection strategy of the organization, which is very important for small enterprises that operate in conditions of economic crisis.

The main advantage of applying the method of benchmarking is the establishment of competitive advantages for small businesses through the use of the postulate "not to copy, but to create". But even with detailed step-by-step technology benchmarking, having a sufficient amount of information and highly skilled workers, owners of small businesses are afraid to conduct benchmarking preferring conventional marketing research because it is faster, cheaper, but not more effective, as not possible to get the full picture. Every entrepreneur should understand that collecting accurate, timely and complete information is only half the job, and the other 50% of benchmarking is creativity.

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