

## MARKETING

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### **BENCHMARKING: A CONCEPTUAL ANALYSIS**

*SUMMARY. In modern conditions of fierce competition in the market for effective development of all forms of ownership there has been greater use of benchmarking technology. Competitive intelligence, as its basis, originated from ancient times. As a systemic theoretical phenomenon the concept of benchmarking came into being in the late 1950s in Japan. The term “benchmarking” and its methodological specification became known in 1972. Despite the active dissemination and application, interpretation of the term remains ambiguous. The authors identified the approaches used in the formulation of the concept by foreign and domestic researchers, and systematized them: at the first stage, according to the most important methodological part in the formulation; at the second stage, from the perspective of different specification of the content of the activity or process; at the third stage, we focused on the object of benchmarking activities itself, at the final stage, for the purposes of this process and benchmarking activities in general, we performed a critical and comparative analysis of those and offered our definition of the term.*

*KEY WORDS. Benchmarking, evolution, the search process, comparative analysis, borrowing, a reference company, competitiveness.*

In the modern conditions of fierce competition in the market there has been greater use of benchmarking technology for survival and effective development of all forms of ownership.

It is considered that benchmarking came into economy from geodesy where it means “a reference mark”; in marketing this word means “analysis of best practices” (best practice) and implies the desire of market participants to “learn from the best” [1; 35]. For example, in Japan “benchmarking” correlates with the content of the

Japanese word *dantotsu* meaning “effort, concern, striving to be the best (leader ) of the best (leaders)” [2; 8].

It should be noted that the idea of “learning from the best” is not a completely new one. Competitive intelligence as a basis for benchmarking came into being in ancient times and has been stepping up its development along with the development of trade and monetary relations. This is evidenced by the fact that Egyptian trading houses, Athenian traders and Rhodes merchants collected secret information about their competitors, which might lead to achievement of commercial success [3; 230].

Theoretical foundations of benchmarking were laid in the works of the leading experts on quality management: E. Deming (within a series of lectures on methods of statistical quality control, 1950), J. Juran (“Guidelines for Quality Management”, 1951), F. Crosby (Program “ZD” (“Zero defects”), 1964), K. Ishikawa (1949 – 1952, development of methods to improve quality control), T. Taguchi (since the late 1940s studied the issues of improving industrial processes and products), A. Feigenbaum (in the 1950s developed the concept of TQC), W. Shewhart (“Statistical methods in terms of quality management”, 1939), etc. [4].

But it is assumed that as a meaningful and systematic theoretical phenomenon the concept “benchmarking” originated in the late 1950s in Japan, when, immediately after the Second World War the leadership of the country had no alternative but to compare themselves with developed countries in order to find a way to become a leading industrial power. The Japanese introduced new content into the concept of benchmarking. Making “industrial tours” around the world, conducting benchmarking of all the world’s best companies, they (for the first time in the study of competitors) focused not so much on the product as on the process of its production, which allowed Japan to learn to effectively produce similar goods and services at lower prices and to press the United States in the world markets by the 1970s [5].

As such, the term “benchmarking” and its methodological specification appeared in 1972 at the Institute of Strategic Planning in Cambridge (USA). In 1979, at the time of severe crisis, the company Rank Xerox, that conducted a study of the costs and quality of their own products as compared to the Japanese ones, used benchmarking in order to overcome market challenges posed by the dramatically rapid decrease in the market share of the corporation [6; 40].

Despite the active dissemination and application of benchmarking the interpretation of the term still remains ambiguous. The conceptual analysis we conducted has revealed the following approaches to the definition of the term in question.

At the first stage of our analysis, we systematized the definitions according to the most important methodological element.

First, the actively represented approach, treating benchmarking as a method [7-11], does not seem convincing to us since we believe that only common scientific and special methods are justified in proper implementation of this process in its search or comparative components. Secondly, the majority of the definitions we have considered present the term from the process approach standpoint [12-17]. Finally, there is a standpoint, treating benchmarking as business activities [1]. In general, we could

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agree with the latter two approaches, stressing the fact that the first (the process one) characterizes the term in a rather narrow sense as a specific benchmarking procedure, the second, in the broad sense, as a systematic analytical business work. At the next stage of our conceptual analysis we analyzed and grouped the abovementioned interpretations from the perspective of wider specification of the content of business activity or process.

First, there exists the least common interpretation according to which it is a process that is narrowed down to the search of best industry practices only (R. Kemp). In our view, the search for best practices is not only the initial stage of the benchmarking process but actually the basic stage, without which it is impossible to conduct any evaluation or comparative treatments. Moreover, the degree of the development of best practices search technology determines the effectiveness of comparative analysis. Thus, this interpretation can hardly be considered complete.

Secondly, there are approaches that, on the contrary, suggest passing over the search phase and beginning to immediately estimate, measure, and compare [4, 13, 14, 18, etc.] – a systematic and continuous measurement process to obtain information [13]; or without comparison [4]. In our opinion, competitive information is, in principle, so classified that in most cases leads to the fact that it is rarely presented as a systematic quantification array that can be measured. It is no accident that among the methodological tools of marketing research there is a significant proportion of high-quality technology for collecting and analyzing information. Thus, it is comparative analysis, in our view, that is a more correct logical extension of a standard company's search procedures and its business experience in benchmarking process.

In the third stage of our conceptual analysis, we focused on the subject of benchmarking activities. Here the opinions are also different: business processes (Lema & Price), the best samples in the industry or their class (H.K. Vaziri), the best in its class – the world leading manufacturers and marketers (F. Kotler), reference processes of a leading organization (B. Andersen), first-class business organizations (I.N. Geras'kina), competitors and companies that are considered leaders in this sector (D. Kerns), best industry practice (R. Kemp), products, services, organizations' workflows recognized as best practice examples (M. Spedolini), best practices and techniques of other companies (L. Bossidi), successful innovations (I. Arenkov, P. Baum, V. Tomilov), other organizations, competitors and leader-organizations (D. Maslov, E. Belokorovin), management practices of successful companies (Ts.Toldman, D. Rendsli, I. Ohinata), the best experience of partners and competitors at the sectoral, cross-sectoral, national and international levels (G.L.Bagiev), the main competitors in all directions (R.A. Fatkhutdinov), best quality products, services, design, equipment, processes and practices (H.G. Harrington, G.S. Harrington), best practices (R. Reyder), and first-class enterprises (R. Venetucci).

Thus, this list reflects both a broad view, including not only direct competitors without limiting the list in terms of any geographical boundaries during the search, and a very narrow one, for example, only "innovation, similar industries, the sector in question or the main competitors". We, in turn, could agree only with the broad

view, since the best practice, experience to improve business activity of the developing company can be borrowed from any company. In our view, the term “benchmark”, (which is, according to the explanatory dictionary, in one of its meanings traditionally interpreted as a “measure, role model and comparison”), among its listings conveys the meaning “best, advanced”, etc. most correctly [19]. Consequently, the reference company is a “company the operating results (products, workflow, and management practices) of which are a recognized measure of a role model in different markets”.

Finally, the final step in our conceptual analysis is to study the goal of the process and benchmarking activities in general.

In their definitions a small group of researchers do not state the purpose of the process (D. Kerns, L. Bossidi, F. Kotler, D. Maslov, E.A. Belokorovin, A. Salomeeva, G.L. Bagiev, R.A. Fatkhutdinov, Ts. Toldman, D. Rendsli, I. Ohinata). For example: a constant process of quantifying the products, services or processes in comparison with the levels achieved by competitors and companies that are considered leaders in this sector [4], taking over management practices from other successful operating companies after the firm’s weaknesses have been identified by comparing other areas of business or competitors with theirs [1]. Some researchers define the aim as an incomplete benchmarking process: with a view to obtaining information that would help the organization to take action to improve their work (Lema & Price); to determine what should be improved (Vaziri H.K.).

Other approaches either disorient the process or reduce its goal: to promote organizational improvement (M. Spedolini); to effect improvements in critical business areas (V.V. Belyanchev); to focus on creation of value and competence (V. Brukhart); to determine its place in the competitive market (I.N. Geras’kina); to ensure a long-term position in the market (R. Venetucci). In particular, other competitive analysis processes are applied in defining the company’s place in the competitive market [20], and benchmarking itself is employed not only by firms whose activities are observed in critical situations or phenomena. Finally, on its completion the benchmarking process does not offer any guarantees regarding the results.

There are actively represented viewpoints regarding the purpose of the benchmarking process as performance improvement of an organization: to help a developing enterprise to define the purpose of its improvement and to take measures to improve the work (B. Andersen), to improve your organization’s real effectiveness (H.G. Harrington), G.S.Harrington). We think the most correct and complete point of view is the one regarding improvement of the company’s competitiveness as the purpose of benchmarking process [1].

Finally, not all standpoints insist on mandatory borrowing and use of the best practices brought into their own company from the outside; application of successful experience of others by the organization; systematic introduction of the best practices through continuous improvement programs; taking over management practices from other successfully operating enterprises; implementation; copying major rivals’ competitive advantages in all areas of engineering, technology, economics and management through the use of modern methods. We believe that despite pointing

out the initial stages of the benchmarking process consisting in carrying out a search for a reference company and further comparative analysis, and, finally, stating its target, aimed at increasing an organization's competitiveness, the presented logical chain is clearly lacking in a vital link – borrowing (total or partial) of the very advanced practice for the search of which the whole process has been organized.

Thus, the conceptual analysis we made has allowed us to formulate our own version of the definition required, specifying the abovementioned approaches.

Benchmarking is a systematic activity (process) of an enterprise aimed at finding a reference company, the performance results of which, based on a comparative analysis can be fully or partially borrowed in order to increase the developing company's competitiveness.

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