Benchmarking as a factor of an economic crisis consequences’ levelling

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Abstract. Issues of European companies’ effectiveness in the conditions of an unstable world economic situation became a priority for all managers. The economic crisis caught many managers unawares and made economic agents of the European market face new major problems on formation of instruments of successful corporate adaptation to the changing environment.

The author argues that the benchmarking as an effective way out of the unfavourable situation should become a major factor of an economic crisis evening-out. As the benchmarking unites development of strategy, the analysis of competitors and branch as a whole, the European companies can use it as the tool to find the solution for all the problems arising during the crisis; relying on the experience of other countries, they can define how to organize work so that in short terms restore the forces and to move on to the new levels. In other words, realization of benchmarking potential for the companies of the European Union countries in modern economic conditions allows to develop and introduce recipes of effective development in the uncertain environment, and to prevent the negative effects of an economic crisis.

In the article the author’s methodology of business processes improvement by means of benchmarking (that is supposed to help European companies avoid bankruptcy following other companies as a result of the crisis, and even to keep the current rates of development despite that the current macroeconomic situation will contradict it) is considered. The competitive and integration benchmarking as the instrument of market agents interaction is offered by the author as a supportive application on the one hand, and the unique factor whose account will allow to level an economic crisis, on the other hand. Also in the article, a comparative and critical SWOT analysis as the tool of a competitive and integration benchmarking, the marketing strategy of solving the problems of a competitive and integration benchmarking, the «house of quality» hierarchy is considered at an assessment of companies’ activities efficiency.

These standard economic statements of the author are urgent for the companies of the European Union countries in connection with an existing economic crisis.

Keywords: benchmarking, economic crisis, development strategy, economic potential, competition.

JEL Codes: M10, M11.

1. Introduction

All of us involuntarily became witnesses of the deepest economic crisis for the last 80 years. The crisis shook the financial markets and broke economic growth of the European Union countries. Thousands of people lost their jobs, many of them were forced to emigrate from EU, in search for a better life, young graduates are compelled to choose between staying at home and working for a few years almost free of

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charge, getting hand in. At the price of the pensions, which have been cut down in some EU countries, funds in others were rescued.

In the European parliament the special anti-recessionary committee, which analyzes the reasons of recessions was created. It provides recommendations on the measures, which need to be accepted to stabilize a situation. Now it is already visible that the financial markets are supervised more rigidly. Supervisory authorities are created in London, Frankfurt and Paris. EU Member States coordinate monetary and economic policy at home, and also report under the adopted budget to the European commission.

But, in our opinion, the measures applied are insufficient for the purposes of similar shocks avoidance. And the unique tool allowing to maintain competitiveness in the market is benchmarking. The increase of competitiveness of the enterprise in many respects depends on the possibility and quality of management of competitive advantages. It is accepted to understand those characteristics, which create certain superiority for the enterprise over the competitors producing and distributing this product as competitive advantage. Such superiority is relative and is defined in comparison with the competitor.

2. Competitive advantages and benchmarking

2.1. Competitive advantages development

The majority of possibilities to create and maintain competitive advantages of the enterprise lie beyond its limits, i.e. they consist in effective establishment and development of business relationships with the other business factors and public institutions. In order to resist to unexpectedness of competitive fight and influence of macroeconomic factors, it is necessary to focus attention to cooperation with the subjects of the marketing system. Being able to collect information on various aspects of activity from other subjects of business, the businessmen need to search for the solutions which would be based on the best practice, the best methods and experience of the industry and would result in maximum efficiency. There is a need not only for carrying out marketing research (in its classical sense), but for the philosophy and the function connected with search, identification and application of methods, leading to the maximum productivity (Kunaev, 1995).

To reach desirable results of development, it is necessary to carry out the marketing analysis of the market and competitors’ activity not only at the national, but also at the world level. It will allow the enterprises to reveal problems concerning internal business processes, the reasons for backlog from the rival enterprises, and external business processes as well.

The most typical sources of obtaining competitive advantages are:

- new technologies,
- changes of structure and cost of separate elements in a technological chain of production and the sale of goods,
- new inquiries of consumers,
- emergence of a new market segment (niche),
- information and professional skills of its receiving and analysis.

Temporary factors of organization’s competitive advantage are defined:

- by the source of advantage (Ivanyuk 2001): low-rank advantages (cheaper labour or raw materials) can be easily achieved by competitors; high-rank advantages (patent technology, the unique goods, business reputation) are possible to be kept for a longer while;
- by quantity of obvious sources of competitive advantage available for organizations;
- by continuous modernization of production and other kinds of activities.

The market, with a tendency of continuous strengthening of its competitive field, requires the analysis and monitoring of competitors’ activity and of the enterprises occupying leading position on the market. To optimize own activity and to create competitive advantage, it is necessary to study the experience
of others, to select in the course of researches working methods from the practice of competitors and partner firms, in order to compare the enterprise to the leaders and to study methods of competitive potential level increase on the basis of the received experience. The essence of this approach in world practice of business is reflected in benchmarking. Now the benchmarking becomes the important tool of the analysis of a market situation and an assessment of competitive positions of the enterprise (on the basis of which strategic decisions are made).

2.2. Benchmarking

The benchmarking is a mechanism of the comparative analysis of overall performance of one company with the indicators of others (more successful firms). The term "benchmark" was borrowed in construction and in the mining industry where it designates the fixed point, whose location is precisely defined in three measurements (Sokolova 2007). This point is accepted to a reference mark at measurement of distance, the surface areas. The term was borrowed by an administrative science as a metaphor of the standard, which is likely to aspire, and is usually defined in efficiency terms. Differently, in an administrative context the benchmarking means use of an existing example or a settlement indicator as a starting point for an efficiency assessment in this or that aspect.

Thus, the benchmarking is carried out for the analysis of efficiency of separate functions and processes within an organization. It allows to define more precisely the reasons of production inefficiency and to make recommendations on the solution of the revealed problems. The benchmarking finds application in all fields of activity of the enterprise – including logistics, marketing, human resource management etc (Erkov 2006).

Having analyzed the views of various authors on the concept of “benchmarking,” it is possible to draw a conclusion that practical experience of benchmarking application was considerably supplemented and modified by R. Camp's definition which appeared in the late ‘80s. The benchmarking began to focus not only on the collection of information for comparison and a technique of the best businesses selection (in order to define a benchmark which can become a behaviour standard), but also on the development of such corporate culture within the enterprise that it could promote the perception of the best working methods. Besides that, the search of the best methods of enterprise operation stepped over the branch borders. Scientists and practitioners suggest to define the essence of a benchmarking ambiguously: as the concept, and as the process and as the function (a special kind of activity), the tool, a way of an assessment of strategy and aims at the same time.

Reverting to the sources of obtaining competitive advantages (new technologies, changes of structure and cost of separate elements in a technological chain of production and the sale of goods, new inquiries of consumers, emergence of a new segment of the market, information), it is possible to allocate the generalized source, called "innovations". Innovation is any introduced novelty which qualitatively improves any production or the process demanded by the market. For example, Danish scientists tried to learn for many years how to treat effectively wounds of the patients with diabetes. At last the group of young scientists found an effective way, received the certificate and formed the company, which was financed by special state fund of young scientists support.

Thus, innovations can be used as means of benchmarking. Having analyzed the mechanism of strategy formation within the successful innovative enterprise, other firms can make use of this experience as a source of obtaining competitive advantage, namely the development of new technology. And as the innovative enterprise is object of voluntary financial investments from special state business support funds, receiving financial support will promote a conclusion of business to new higher indicators, thereby not only holding itself afloat during the moments of economic tactical recessions, but also reaching more competitive situation in long-term prospect.

For example, the history occurred to Skype shows that there are enormous reserves for technological projects which can appear innovations of world level. Four Estonians designed this program in 2003, having created at first the technology. Then the Swede and the Dane were engaged in sales and financing. And in
May, 2011 Skype was bought by Microsoft for the record sum of 8,5 bln. dollars. That is today the company expanded to the billion-dollar turn and created the competition to the telephone companies of a world scale.

One more experience of Estonian business is a creation within Internet shop of the robot dummy, capable to be arranged under any parameters (growth, weight, breast volume, a circle of hips, waists and t. a). The client specifies data of the figure, and the robot takes the form according to the set parameters and shows the chosen model of clothes. Acceptance of this innovation by the British online shop "Hawes and Curtis" allowed increasing twice the sales.

The example of Estonian company shows that there is no need to have too much money to invest and introduce innovations. Nevertheless, the idea that it is a prerogative of the rich countries became common. That is not true, in our opinion. And a problem of the small countries does not consist at all in a lack of ideas or financing. The unique problem of the small countries is an absence of competent marketing of own inventions, ideas, values, a way of life. It is necessary to adopt only experience of applied development of the ideas, very long time ago tested in the West and adopted in EU countries.

Today, during an era of business globalization, the company realizes the need for comprehensive and detailed study and the subsequent use of the best achievements of competitors with a view of own survival. The benchmarking as search of standards for study and introduction of experience became the world trend. The long-term experience of benchmarking application in the USA should be picked up and extended in Europe.

3. Benchmarking and marketing activities

At an institutional stage of benchmarking development an acquisition of competitive advantages has to be organized as the new business strategy of the enterprise based on cooperation and interaction: the buyer must be turned into the business partner, and achievements of more successful competitors and the leading organizations from various branches, mainly the best international practices, must be studied on the basis of a competitive and integration benchmarking aiming at effective voluntary exchange of the best practices between various subjects of economic activity. Thus it is necessary to understand the analysis of innovative activity of the competitors as a competitive and integration benchmarking, based on interaction and cooperation, for the purpose of association and formation of qualitatively new business processes on the basis of experience of the advanced international organizations of this branch for improvement of competitive advantages at the international level. Thereby the new element is included in the concept of a competitive and integration benchmarking – the interaction, allowing to raise own results of activity, relying on already reached results of competitors.

Competitive and integration benchmarking which implies a refusal of rivalry in favour of cooperation can be considered as a driver in the change of philosophy of modern business. Edward Demming places on it emphasis of "guru" of modern management: «the competition – someone wins, someone loses, cooperation – is won by all».

At an institutional stage of development of a benchmarking acquisition of competitive advantages it is necessary to organize the new business strategy of the enterprise based on cooperation and interaction: the buyer must turn into the partner in business, and achievements of more successful competitors and the leading organizations from various branches, mainly the international best practices, to be studied on the basis of a competitive and integration benchmarking which achieves the object – an effective voluntary exchange of the best practices between various subjects of economic activity. Thus it is necessary to understand the analysis of innovative activity of the competitors as a competitive and integration benchmarking, based on interaction and cooperation, for the purpose of association and formation of qualitatively new business processes on the basis of experience of the advanced international organizations of this branch for improvement of competitive advantages at the international level. Thereby the new making element is included in the concept of a competitive and integration benchmarking – the interaction, allowing to raise own results of activity, relying on already reached results of competitors.
Competitive and integration benchmarking which implies a refusal of rivalry in favour of cooperation, can be considered as a motivating power changing the modern business philosophy. Edward Demming, the modern management “guru” emphasizes: «competition – someone wins, someone loses, cooperation – everybody wins» (Hananova 2003).

In a competitive and integration benchmarking the competitive analysis of advantage can be applied directly as the benchmarking assumes an assessment of enterprise activities’ parameters during their comparison (indicators of the enterprises’ and products’ competitiveness). The tool is not a simple SWOT analysis – it implies carrying out SWOT analysis by means of key factors of success comparison with use of graphic methods of results interpretation, i.e. comparative critical SWOT analysis. Thus, comparative and critical SWOT analysis represents the comparative analysis of key indicators or critical factors of success of the given enterprise and its competitors.

The marketing strategy allows the enterprise to direct the resources and efforts to even bigger growth of a resultant indicator and strengthening of competitive advantage that steadily conducts to rapprochement with coupon indicators. Marketing strategy works most effectively when there is a component of corporate strategy indicating how the enterprise should find and work with consumers, possibilities and competitors in this segment of the market.

In the conditions, occurring at the present in the world markets, achievement of success is impossible without understanding the desires of the consumer. In connection with it, the traditional idea of qualitative and competitive production is essentially transforming. Quality appears to be the thing, for which the consumer wants and can pay money – innovations.

It is possible to interpret innovations as the general set of technical, technical and operational characteristics of a product or a service by means of which the product or service will meet the requirements of the consumer at their operation.

The concept of an innovation should be designed and put in a product. In absence of this main condition all inspiring appeals to ensuring quality and carrying out the most careful checks will be senseless and ineffectual. The main objective of any enterprise is to deliver on the market new products (services) before the competitors, at lower price and of the best quality.

The mechanism of such purpose achievement is called Quality Function Deployment (QFD), «a method of houses of quality» or a method of synchronous engineering. The QFD method was created in Japan in the late ‘60s, and it was first applied in 1972 by Mitsubishi, the corporation of heavy industry from a shipyard in Kobe. The application of QFD method broke the barriers between enterprise divisions, forcing the experts to work as one team, for the project as a whole.

3.1. **House of quality**

It is possible to enter additional information into consideration and to consider it in the main structure QFD. Figure 1 presents the so-called “house of quality”.
The house of quality is a popular collection of certain hierarchies and tables, which has a form of the table connecting points between «a voice of a consumer» and «a voice of an engineer». The house of quality is used by interfunctional groups to translate the set of the client’s requirements using market researches and benchmarking analysis data, in the corresponding quantity of prior engineering target indicators, for a new product design creation.

The house of quality is to some kind a conceptual card, which provides means for interfunctional planning and coordination of processes of improvement and product development. The house of quality contains 6 major elements:

1. Requirements of the client. The structured list of requirements received from statements of the client.
2. Technical requirements. The structured set of relevant and measured parameters of a product.
3. Planning matrix. Illustrates the perceptions of the client observed during the market research. Includes relative importance of the client’s requirements, efficiency of the company and competitors in satisfaction of these requirements.
4. Matrix of relationship. Illustrates perceptions of QFD group concerning relationship between technical and client requirements. The corresponding scale which is illustrated with use of symbols or figures is applied.
5. Matrix of technical correlation. It is used to define whether technical requirements support or interfere with design of a product. It is a possibility for an innovation.
6. Technical priorities, reference points and target indicators.

Completely developed function of quality includes four stages characterizing process of development of production (table 1).
Table 1: Stages of “the voice of a customer” tracking

<table>
<thead>
<tr>
<th>Stage</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product planning</td>
<td>Customer requirements; Production potential; General product's characteristics; Producer's aims; A range of issues to study.</td>
</tr>
<tr>
<td>Product design</td>
<td>The most critical parts and features of a product</td>
</tr>
<tr>
<td>Process design</td>
<td>Critical parameters of each operation and methods of control</td>
</tr>
<tr>
<td>Production design</td>
<td>Production instructions and the means of quality and production control</td>
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</tbody>
</table>

4. Conclusion

Thanks to the consecutive use of four Houses of quality the most important aspects of specifications of an innovative product (technical parameters) will be transformed to parameters processes. It allows to make the process operated that promotes achievement of a stable and satisfactory level of quality of an innovative product and high competitiveness in the conditions of crisis.

5. References