Benchmarking as a Tool of Developing Corporate Culture and Increasing Competitiveness

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Benchmarking is a powerful tool for developing any organization, especially the one with implemented standardized management systems where the need of continuous improvement is especially essential. In the paper the basic principles of benchmarking, its kinds and rules of identifying potential partners and analyzing the benchmarking process were briefly discussed. The results of the research on the UE food and drink industries' competitiveness were presented to illustrate a number of improvement opportunities for the sector. We tried to explain on a food processing industry how benchmarking can be an effective means for a business to help identify improvement opportunities and implement change processes to improve business efficiencies.

Keywords: benchmarking, food industry, competitiveness

Introduction

Increasing competitiveness, ever-changing customer needs, and rapid technological changes mean a tremendous amount of pressure on the companies all over the world to stay competitive. Nowadays, the companies have to deal with a growing variety of products, short delivery times, high service levels, increased focus on quality, and competitive cost. To compete in the global world, they need to learn continuously and use appropriate business improvement tools. Certification or accreditations obtained by an organization are sometimes the steps that set themselves starting hard work on implementation of standardized management systems. Not everyone is aware the fact that formal confirmation of meeting specific requirements is only one of the tasks for an organization. The aim of an ever-increasing importance is creating an organization culture focused on a change. It is benchmarking that shows such a strategy a way of improving performance by identifying, understanding, and adapting the best practices and processes from inside and outside our organizations [1, 2]. To become best in class, companies must look beyond quantitative benchmarking targets and identify the unique processes, practices, or corporate cultures that drive success among the industry leaders. Once companies have identified best practices and assessed how their own practices compare to these gold standards, they must plan how to bridge the gap and then execute the planned actions. Most business processes are common throughout industries. For example, NASA has the same basic Human Resource requirements for hiring and developing employees as does American Express. International System has the same Customer Satisfaction Survey process as Bankers Union Co. These processes, albeit from different industries are all common and can be benchmarked very effectively. "Getting out of the box" can give surprisingly good results [3].

Examining recent benchmarking driving, we need to point out two of its basic kinds: internal benchmarking (comparison between departments or comparison between branches) and external benchmarking (comparison with other companies) [4]. These are three kinds of external benchmarking:

- Strategic benchmarking, where we compare our company with the leading company in our branch.
- Process benchmarking, where we compare our company's procedures (for example, HR procedures concerning workers service) to leading companies.
- Marketing benchmarking, where we analyze our clients satisfaction and compare it with the results of our competition [5].

Characterizing benchmarking, we need to point out its importance, which emerges from its

Benchmarking Definition. We can point out [6]:

- Competitive benchmarking, which is the most difficult cause of the data we need to collect about our competitive procedures, actions.
- Functional benchmarking, which is the way of finding improvement of our company's functions that is needed outside its sector.
- Universal benchmarking (horizontal), which is a specific case of functional benchmarking that considers general issues, that are valid in similar ways in all companies, no matter the branch. We can apply practical analysis of benchmarking usage to any company's costs and any level of management - strategic, tactical, and operation. Surely benchmarking is a basis of continual improvement process, outlined in Quality Management Systems.

Benchmarking and Quality Management System

Quality Management System is a management system used for leading and improving our organization with the emphasis to quality, which aims focusing up group of product's characteristics determining its assessment [7]. Commonly used phrase that company is managed according to ISO 9001 requires certain verification. QMS should be treated as a management subsystem on the same level as HR management, financial management and so forth. Benchmarking can be used widely in Quality Management Systems, regarding its implementation, optimization, and improvement. Benchmarking is not included as one of the ISO 9001 requirements but for that we can define it as a way of continual improvement of our organization. We should point on requirements of standardized management systems for specific branches, which impose the usage of benchmarking analysis and sometimes clear demands for benchmarking, which in their opinion will guarantee at least supplier's knowledge on specific subjects, rather than practical usage of benchmarking gathered in benchmarking report.

Benchmarking is a process of information gathering about company's best environment and application of specific solutions in organizations. Structured management review in most cases only points out what should be done, not what kind of methods and techniques should be used to fulfill the requirements. According to requirements management system should be established, documented, implemented and effective. Benchmarking can be used for each of those requirements. Examining the practical usage information about competitive solutions gathered through competitive benchmarking or even our departments' internal benchmarking is a great value. Strategic benchmarking seems to be vital - it allows companies to define objectives that are related to its composition, assess objective assessment of QMS effectiveness and efficiency. In marketing aspects, analysis base itself on the results of customer satisfaction survey and comparing them to other companies. Of course we need take into consideration in what areas information from clients is gathered. If the data collected concerns specific product's characteristics, production processes we need to establish common denominator for those comparisons, in that case similar profile of activity. If the studied data is universal, ISO 9001 requirements, similar profile of activity is not that really important in that case, but necessary for analyzing specific organizational solutions. Analogically to strategic benchmarking analysis carrying our competitive benchmarking analysis can be also hard. Practical benchmarking seems to be appropriate regarding necessity of quality management leader and finding information about specific solution only not copying the companies with similar profile. In reality universal benchmarking is the most suitable for that kind of analysis, because it requires universal solutions and procedures in different companies, regardless of activity profile. That's why it's the best benchmarking method regarding ISO 9001 requirements and their interpretation in implementation and maintaining process of QMS in the organization.

Competitiveness of the EU Food and Drink Industry - Benchmarking in Practice

The European food and drink industry is the largest manufacturing sector in Europe with a turnover of €36 billion euro. It employs 4.8 million workers and serves approximately 400 million consumers with safe and high-quality products. Despite a continuous trend of globalization, the sector is still highly fragmented with numerous small and very small enterprises. 200,000 SMEs (95.1% of the food and drink companies in the EU employ 87% of food and drink workers and generate 82.5% of high volumes turnover). Being less profitable than medium sized or large companies [7], [8].

Labour productivity in the European food and drink industry is considerably lower than in most other industries. The profitability of European food and drink processors, especially SMEs, is not increasing sufficiently to remain competitive in the long run. The EU share in global food and drink exports is
declining (for the last 10 years by 1%). During the last three years this trend has been persisting, although exports have picked up in 2006 and 2007. The sector shows modest overall growth of production and a positive EU trade balance, whereas several of the indicators for the industry competitiveness give rise to concerns, since as a result of globalization, R&D investments demonstrates a weaker performance of the sector in an international comparison (9). Overall profitability of the sector has not been at an acceptable level throughout the food and CAA sector. In recent years, especially in research and development (R&D). According to the EU Food and drink industry competitiveness to remain in position and improve its share on world markets, the industry requires greater effort of national lawmakers and a considerable strengthening of its capacity for innovation. There is an urgent need to increase R&D investments in order to support innovation and promote a shift to higher value-added food production. Investment in R&D should be seen as a medium-term expenditure, as a medium-term investment. According to the EU Food and drink industry outputs it is necessary to achieve the R&D spending of the food and drink industry in other developed countries. Even high (EU) based companies spend per employee 45% of what their EU-based companies invest in R&D. The core issues that are necessary for a country calling for access to competitive agricultural raw materials. The EU agricultural reforms that are currently implemented or that will be implemented in the coming years will make EU agricultural raw materials more competitive. However, access to competitive agricultural raw materials remains uncertain and poses a particular problem, notably to exporters. A multi- technical approach is still a priority for trade policy and will require more targeted action to overcome perceptions of country markets for EU food and drink products. The European market share of the global export market in food and drink products has been declining over the last ten years to reach the lowest levels of food and drink products in 2008-2009 compared to 15% in Europe. The high level of administrative barriers must be addressed in both a preventive and corrective way to induce market access for the EU food and drink products. EU regulations have become more specialized and complex and the excessive amount of prescriptive legal texts has considerably increased administrative burdens and costs of compliance to the detriment of companies and particularly SMEs (19). The analysis of key competitiveness indicators shows that the European food and drink sector is lagging behind. The situation with regard to production values, value added, labour productivity and export market share reveals that the main competitors are developing over time. Benchmarking analysis of the sector indicates (19). Slow growth of the total production value The production value of the European food and drink industry grew as the same pace as the EU over the last ten years, but slowly at a lower rate than many of its competitors. Emerging countries like Brazil registered a very strong growth of food and drink production. Slower growth of labour productivity: Until 2002, labour productivity in the European food and drink industry was at its lowest as its main competitor. Since 2002, labour productivity growth slowed down and dropped with the US increased even further. The average growth of labour productivity is only 15% between 2001 and 2006 compared to 14% in Europe. Slower growth of value added: The value added has increased almost at the same pace as food and drink sectors. The European food and drink market produces slightly more than the American one, but worse than the Australian, Canadian and Brazilian food and drink producers. The graph shows the steady growth of the Brazilian food and drink sector which does not rely only on its larger volume but also on the higher growth of food and drink products. This has an impact on the competition in the global market for high value food and drink products. Shrinking share of global exports The European market share of the global export market in food and drink products has been declining over the last ten years to reach the lowest of agricultural exporters like Australia, New Zealand, China and Brazil. PART VI. The EU food and drink industry benchmarks - the sector-specific issues that have direct impact on the food and drink industry competitiveness at European level (9, 10). Research and development (R&D) and innovation European R&D expenditure over the last decade has been generally lower for almost all industries compared with their main competitor. Overall gross domestic expenditure on R&D (GERD) amounted in 2005 in the US to 3.96% of GDP and in Japan to 3.1% whereas in the EU this was only 1.9%. European food and drink companies, including large companies, spend less on R&D than other European industries. In addition, R&D spending by European food and drink producers, as a percentage of net sales, is lower than that of their R&D spending (respectively) of 1.2% and 2.4% in 2004. The average R&D expenditure per employee by the largest European food and drink industries amounted in 2006 to 5% on R&D costs, while the larger non-EU European food and drink companies spend on average above 7% on R&D per employee. In 2006 41% of food and drink companies do not engage any R&D activities in Europe, 4% consider it too risky and 6% R&D activity. R&D innovation indicators of the EU food and drink industry are below the EU manufacturing industry average. There is also a shortage of R&D personnel. Vacancies for highly specialized food scientists can be especially difficult to fill. Agricultural inputs European food and drink processing industries pay generally higher prices for their inputs than their competitors. For the accounts, these price differences can in a current term be compensated through export refunds. In December 2005, the EU agreed to eliminate all refund in 2012 and a substantial part of these refunds at the beginning of the implementation of the WTO agreement. This implies that the share of this input and that of trade policy should be adjusted to be conducive to trade activity and provide improved access for exporters. Export intensity/gross output remains overall relatively low compared to the size of the EU market. Less than 7% of the EU production value is exported, whereas for the major sugar producing countries, a much higher share is exported. The results show that the main competitors are the United States, China, Brazil and Australia. The main competitor is still the USA with a share of 7.4%, followed by Brazil with a share of 6.9%. The results show that the main competitors are the United States, China, Brazil and Australia. The main competitor is still the USA with a share of 7.4%, followed by Brazil with a share of 6.9%. The analysis of key competitiveness indicators shows that the European food and drink sector is lagging behind. The situation with regard to production values, value added, labour productivity and export market share reveals that the main competitors are developing over time. Benchmarking analysis of the sector indicates (19). 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trends that will continue developing in future. For example, the compound average growth rate of prepared meals (between 2006 and 2009) is expected to be 4.8% in Europe compared to 2.1% in the US/UK.

Conclusions

To sum up, the companies or even industries that use benchmarking effectively discover ways to reduce costs, increase efficiency, profit, and performance. In the process, they learn how to think "outside the box", make more informed decisions, and vaseage change more effectively. In practice the best illustration of benchmarking is the saying: "It is good to learn on mistakes, especially someone else's, not your own!". Benchmarking means the requirements of the contemporary management concepts - the suggested solutions and serves over time all limits of an organizational existence and contribute to its sustainable development. The paper for the author presents benchmarking in many dimensions as a required means for any organization or even sector to change its culture and to meet the requirements of the contemporary business.

Benchmarking of the EU food and drink industry indicates it has the potential to maintain and expand its role in increasingly global market. Companies are determined to live up to the challenges they face and need the support of legislation to facilitate and support the process wherever possible. To remain competitive, it requires European policy makers to create a stimulating business environment. Industry has to take up responsibility by making appropriate business decisions, improving their competencies and streamlining management. Improving competitiveness will contribute to a sustainable food and drink industry activity and to maximum valuable employment opportunities in Europe. It will allow companies in continue serving European consumers efficiently and responding even more rapidly to their changing needs.

References