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Benchmarking Attributes Application Model

Abstract: As it can be seen from the several most distinctive examples for the benchmarking practice application in the business world, the effects of the benchmarking are clear and multiple. Today benchmarking represents one of the important requirements regarding candidacy of a company for the global quality awards – The Deming Prize, The Malcolm Baldrige Award and European Foundation for Quality Management Award.

Keywords: benchmarking, business world, global quality, application

1. INTRODUCTION

Thus, the application of the benchmarking in companies is closely linked to the achievement of the business excellence and world class products and services. The companies that actively and continuously apply benchmarking have significantly better chances to strengthen their competitive advantage on the global market and to achieve steady market position regarding their further market growth. In order to become world leader in certain area, it is important to put exceptional business efforts to optimize business functions of marketing and research both quality and development for the purpose of their synergetic action. On the other hand, benchmarking provides cost reduction based on the more efficient company management founded on the application and improvement of business activities justified in the global business practice. Furthermore, benchmarking enables a company to continuously improve knowledge productivity which directly influences productivity efficiency and overall business operations

2. THE JAPANESE EXPERIENCE

Japanese economy, as well as the whole Japanese society, experienced remarkably rapid and successful development in the period after the Second World War. Today Japan represents world's economic superpower and one can freely speak about the special model of economic development characterized by the analysts as "the Japanese economic miracle". The question that anyone who seriously analyses postwar economic development of Japan must ask is how this country in just a little more than one hundred years succeeded to become world market leader and stand shoulder-to-shoulder with USA economy and the economies of the Western European Countries, especially Germany.

Japanese success is the result of the Japanese way of thinking and understanding of the world, as well as the historical circumstances that are by all means specific. The most important factor that influenced the dynamics of the Japanese development is evolutionary economic development.

The development of the modern Japanese economy started in the second

half of the nineteenth century, more precisely in 1859 when during the Meiji Restoration Japan opened itself to the West (after two hundred years of isolation). These significant changes were implemented under the huge pressure of the biggest imperial powers in those times: the USA, The United Kingdom, France and Germany. The Meiji Restoration instigated all social forces to concentrate on the economic development of the country. Since big Western powers imposed their influence on Japan, this country started to systematically and thoroughly modernize its society. In the first thirty years of Meiji Restoration, Japanese government sent tenths of thousands of the most talented young people abroad to be educated in the Western countries.¹

However, during the aforementioned Meiji Restoration, Japanese society did not fully open to the Western world. But even turning to the Western ways and cooperation with big colonial powers of the second half of the nineteenth century were not a random choice. On the contrary, the newly founded Japanese ruling class, led by the modern royalty, compared its situation with the situations of other Eastern countries, especially China and India in order to make positive changes based on the experience of these countries. According to Drucker, Japan opened itself to the world because it wanted to escape the Chinese and Indian demise in the twelfth century which were conquered, colonized and westernized by the West. The main aim of this “judo” tactics was to use Western tools to keep the West away from the Japanese shores and to let Japanese people remain truly

¹ Đorđević, D., Đekić, I., *Strategija razvoja Japana*, Novac i razvoj, no 19 – 20, August 1995, Služba za platni promet, Belgrade, pg 167

Japanese.²

Thus, it can be said that the Japanese applied generic benchmarking techniques in the second half of the nineteenth century in order to improve their political and economic position in the newly establishing imperialistic world.

When the Second World War ended Japan was in ruins and under the protectorate of the USA military forces. The USA government sent its experts as a technical support to instigate the development of the Japanese society and revive Japanese economy. Edwards Deming was among these experts and his task was to disseminate American experience and knowledge to Japanese entrepreneurs regarding production improvement and application of the statistic quality control in the function of the business operations efficiency improvement. The Japanese owe much of their leading position in the matters of quality to the fact that they accepted Deming’s experience and teachings in 1950s and 1960s.

It is exactly in this period of 1950s that the Japanese experts made scholar and expert visits to the large number of American and European companies in order to learn about new methods and techniques of the business operations that would enable future development of Japanese economic development. They signed the contracts on business cooperation and bought know-how from these Western companies and in time they succeeded to apply and improve what they had learned. Many experts believe that this was the first time when the benchmarking appeared in an organized form.

The roots of the benchmarking can be tracked down to mid-fifties, when the Japanese governments sent abroad its experts to learn how to successfully

² Drucker, P., *Inovacije i preduzetništvo*, PS Grmeč – Privredni pregled, Belgrade, 1995., pg 48

manage their companies. In the period from 1952 – 1984, the Japanese signed contracts or bought more than 42 000 new technologies and know – how from the West and later modified, improved and developed them.³

Another event is very important for the development of the modern concept of benchmarking. Namely, the basic feature of the Japanese economic model is the fact that the Japan managed to avoid two main problems of the modern society: capitalism and socialism, i.e. the negative features that these two formations unfortunately contain – class conflicts on one side and economic inefficiency on the other side.⁴

3. THE SWIS EXPERIENCE

During 1980s the participation of the Swiss companies in the global watch market experienced drastic fall. Namely from the previous 40% share in the mid seventies, the Swiss share came down to less than 15% in 1983.⁵

The reason behind such loss of the market share in the global watch market was the fact that the Swiss watch companies encountered fierce competition from the Japanese watch makers that appeared at the market in the early 1970s. Japanese watches were based on the quartz technology that had been originally developed in Switzerland. The Japanese offered standardized scheme to the global market that made them world renown – quality products, in this particular case

³ Đorđević, D., Čočkalo, D., *Upravljanje kvalitetom*, TF Mihajlo Pupin, Zrenjanin, 2004, pg 128

⁴ Đorđević, D., Đekić, I., *Strategija razvoja Japana*, Novac i razvoj, no 19 – 20, August 1995, Služba za platni promet, Belgrade, pg 171

⁵ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 156

automatic watches for a relatively low price.

The Swiss producers were forced to compare their situation with the experience of the Japanese watch industry. The crisis also affected the two biggest Swiss watch makers ASUAG and SSIH, thus the bank that credited these firms was seriously worried for the future prosperity of the “national industry”. It was this bank that decided to put an end to this problem. In 1981 the bank asked famous businessman and leading consultant in Switzerland, Mr Nicolas Hayek to draft the plan for the revival of the aforementioned firms that made famous brands of watches: Omega, Tissot, Longines and Rado. The essence of his approach was the comparison of the Swiss makers with other market leaders in the global watch industry and to make decisions about the competitive positioning based on such comparison.

The main postulate for the strategic appearance on the global market was to offer quality products at low prices. The new brand was created – the name of the product was chosen and it was simple, unique and easy to remember. A letter “S” was added to the word watch to signify the country of origin, i.e. Switzerland. Thus the brand name “Swatch” was created.⁶

The main features of this new brand were fair price, durability and reliability. The plastic, modern, well designed, attractive, cheap and practical watch was created. From 1983 up to now Swatch sold over 100 million watches. The main emphasis during the design of this brand was given to the attractive and modern look as well as the clear product differentiation from other similar products.

⁶ Rakita, B., *Međunarodne marketing strategije*, Konzorcijum ekonomskih institucija Jugoslavije, Belgrade, 1989, pg 298

⁷ The pricing strategy was oriented to the penetrative market approach. Prices were competitive compared to the prices of other watches that belonged to the lower price range, but the quality was much better than the quality of the products made by the competition. Namely, the Swatch management noticed that the Japanese low pricing strategy functioned as far as their products were the cheapest products on the market. Once when this was no longer the case, the Japanese makers were in trouble. By placing Swatch on the global market, the market share of the Swiss watch industry went up to 50%.

4. ANALYSIS OF THE COMPETITIVENESS OF THE DOMESTIC COMPANIES

The problems that the domestic economy faces in the period of economic transition are the consequences of the ambiguities of the socialistic economic system which were drastically obvious during the period of economic sanctions imposed by the International Community. Inefficient economic system based on the loans taken from abroad caused irrational behavior of companies. Serbian economy inherited such economic system that objectively limited economic development (inadequate ownership structure, production based on outdated technologies, dependence on importing, large number of redundant workers, market reduction).

Domestic economy inherited incomplete market system (functioning of goods and services market without existent labor and capital market), as well as relatively diluted model of enterprise ownership (state owned enterprises, public property, private ownership, cooperative

⁷ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 157

ownership – all existed simultaneously but in most inadequate disproportion).

The embarkment into the intensive transitional process was relatively late, however this created an opportunity for adoption of different experiences from other countries that completed the transitional processes of their national economies (adoption of positive solutions and avoiding negative solutions in the realm of an economic system functioning). Of course there is no “general model” of transition – each national economy has its own distinctive features that primarily determine the pace of the economic changes and the priority hierarchy concerning the direction of the transitional process.⁸

Competitive position of the domestic enterprises concerning reputation on the global market is very poor. The domestic companies unfortunately did not invest sufficiently in the creation of distinctive and reliable reputation as the element that influences market positioning of a company and its competitive advantage.

The research on the practice/experience of the domestic companies in international business operations produced the following results:⁹

- 51% of the companies rated the quality of their products as very good, and 41.3% of the companies rated the quality of their products as fair;
- 19.5% of the companies had very good rating concerning brand recognition, while 51% of the companies rated their brand recognition as average;
- As far as the reputation of the country of origin is concerned, only 10.8% companies that participated in the

⁸ Ibid., pg 159

⁹ Rakita, B., *Međunarodne marketing strategije*, Konzorcijum ekonomskih institucija Jugoslavije, Belgrade, 1989, pg 269

survey thought that this reputation was very good, 47.3% of the companies said that it was an average one while 41.9% of the companies considered this reputation as low.

From the above given data, it is obvious that there is a significant disproportion between the quality of the products and the brand recognition, as well as the reputation of the country of origin. The reason behind such situation is the fact that there is no adequate marketing strategy which would enable the creation of the distinctive reputation on the international market.

The boosting of a country's image in the eyes of the international consumers and businesses depends on the following factors:¹⁰

- Attitude of the country's government towards the announced reforms and the economic and ownership transformation;
- Conditions regarding foreign investments, especially in the matters of reducing risk and establishing legal provisions;
- Society's attitude towards the entrepreneurship;
- Revival of the financial market;
- Creation of the favorable economic conditions for undisturbed development of small and medium enterprises.

5. MEASURES AND SUGGESTIONS FOR THE MORE EFFICIENT BUSINESS OPERATIONS OF THE DOMESTIC COMPANIES

Benchmarking, as a technique of learning from the experiences of others,

¹⁰ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 160

represents powerful tool for advancing competitive advantage of the domestic enterprises and inclusion in the streams of the modern economy. The implementation of the experience and knowledge of the foreign companies can be a good solution for more efficient business operations, improvement of quality of the domestic products and achieving competitive advantage. In this context, benchmarking concept has a very significant role. All abovementioned facts become even more significant when we consider serious problems of the domestic companies:¹¹

- Business operations based on outdated management principles,
- Inertness and unadaptability regarding the changing market conditions,
- Incapability to accept integral management concept,
- Incapability to accept marketing logic,
- Inadequate and insufficient investment in knowledge
- Ignoring foreign experiences.

One of the most significant problems of the domestic economy that largely influences its poor market performance on the international market is by all means inadequate application of knowledge that is necessary for the efficient company management. In this sense, domestic economy needs innovative management rather than technical inventiveness.

Majority of domestic companies need to project and define their business postulates on new, more efficient foundations. Only those companies that harmonize their business operations with market requirements, global changes and new management principles by learning from the foreign experiences not only of developed countries, but also from other transitional countries, can expect to be successful on the global market.

On the other hand, in this transitional phase of the domestic economy and

¹¹ *Ibid.*, pg 184 - 185

development of market relations it is necessary for the state administration to give its contribution regarding improvement of the competitiveness of the domestic companies. It is very important to determine the framework for successful market operations and enable all participants in the market game to have the same starting position. Also, it is important to adopt certain policies and strategies regarding the development of the competitiveness of the domestic companies and the domestic economy. The role of the civil sector should be to explain to the public the situation of the domestic economy and to shatter deeply rooted illusions, most of all the illusion that the state can solve all problems of both producers and consumers.¹²

USAID helped 20 companies from western Serbia to receive QMS quality certificate for ISO 9000:2000 in order to expand their business activities to the European market. "Fruit and Vegetables" association is currently drawing up the plan for professional trainings regarding placement of the domestic fruit and vegetables on the European market. The private companies should be the carriers of the activities related to setting up the strategy for the competitiveness of the Serbian society.

Starting from the above given facts and by implementing experiences that are in the function of competitiveness improvement of the domestic economy, it is possible to outline some of the suggestions that are directly linked to the improvement of the competitive advantages.¹³

¹² Đorđević, D., Anđelković, M., Bogatić, S., *Unapređivanje konkurentnosti domaćih preduzeća*, KAS, Belgrade, 2003, pg 3

¹³ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 186

- The need to innovate the knowledge of the domestic managers,
- Strengthening the reputation of the domestic companies on the international market,
- Necessity of creating associations in the function of achieving competitive advantage,
- Implementation of the quality management concept.

The main condition that creates and shapes all the changes that are taking place in the modern world is the technological progress that resulted from the flourishing of knowledge. In modern society the knowledge represents strategic source of power and wealth, and the basic social group, in Drucker's words, are the knowledge users, i.e. persons that are capable to transfer knowledge into the business activities that he calls the "knowledge workers".¹⁴

Improvement of the knowledge productivity enables improvement of the business operations. Continuous improvement of knowledge productivity and operations is the imperative of the modern economy and by all means the most significant factor in competitive battle of the companies on the global market.

Insufficient experience of the domestic companies is linked to the modern management concepts and techniques, inadequate marketing approach, as well as poor knowledge of the marketing technologies. This led to the situation where the domestic companies cannot keep pace with the international competition. Knowledge innovation in keeping with the global experience represents significant factor for improvement of the domestic companies' operations.

The main objectives concerning the

¹⁴ Drucker, P., *Postapokaliptičko društvo*, PS Grmeč – Privredni pregled, Belgrade, 1995, pg 12

education and training of the domestic managers should be:¹⁵

- Training for doing business in new economic conditions based on the market mechanisms, private property and the productivity as the factor of competitiveness;
- New concept promotion – necessity to struggle for productivity as the basis for survival on the market, market development and development of the competitive companies;
- Constant learning from the experience of others – continuous application of benchmarking in function of achieving business excellence.

These two tendencies of the strategic focusing have long term character, thus their results should be treated in this manner – one cannot expect positive results in short time period nor should one expect positive results from occasional and sporadic actions. The issue of new strategic attitude of the domestic managers is the issue of their acceptance of necessity for the continuous improvement of the productivity of the business actions and operations. The managers should understand that the business strategy is not the issue of contemporary politics or dealings in one particular situation, but the issue of the change of business philosophy.

Practically speaking, domestic managers need to acquire new knowledge concerning management issues, especially the knowledge related to quality management, standardization reengineering, benchmarking, marketing etc.

According to Jović, contemporary trends led to significant changes in understanding and achieving competitive advantage of the company as the basic carriers of the international business activities. Sharp increase of the importance

¹⁵ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 187

of the investments in research and development and creation of the global brand now holds a special position.¹⁶

The very process of the market positioning of a brand goes through three phases including the three distinctive features - business qualities, meaning and symbolic:¹⁷

1. Identity that represents conceptual and creative solution concerning the brand name and accompanying visual and esthetic elements of a brand type, which secures its market distinction from the competition;
2. Image, that stands for the picture or representation that is being created on the market and in public about a company, its operations, products and services and
3. Goodwill that represents reputation or the proved, recognized, measurable market value of the particular brand type.

Brand reputation cannot be instantly created. It requires long term marketing strategy and efforts. The very important issue regarding the relation country – product – brand is to find out which image aspect should be treated with greatest care. In practice the company can chose one of the three directions:¹⁸

- Integrated national/product identification, where the emphasis is both on the country of origin and the product,
- Product identification, where the emphasis is on the product itself,

¹⁶ Jović, M., *Međunarodni marketing*, Trim Soft Trade, Ainterna Net and Ekonomski Institut Beograd, Belgrade, 1997, pg37

¹⁷ Rakita, B., *Poslovna i proizvodna marka kao parametric tržišnog uspeha*, Nova trgovina, PS Grmeč, Belgrade, 1996, pg 22

¹⁸ Rakita, B., *Međunarodni marketing*, Ekonomski fakultet, Belgrade, 1993, pg 448

- Emphasis on the national identification of the product when the effect that the country of origin carries is more important than the image of the product.

Which option the company shall choose depends on the number of factors, such as:¹⁹

- Company's current position
- Competitive advantage of the brand
- Image of the country of origin
- Necessary investments in marketing
- Financial strength of the company, etc.

It is especially important to emphasize the need for a company to accept entrepreneurial approach to the business operations, which requires fast spotting and exploitation of the market opportunities, focusing on important jobs and linking business analysis to the rapid market action. The quality of the goods and services, product differentiation and comprehensive and planned promotional activities are the elements that influence successful formation and strengthening of the company's reputation.

According to Drucker the emerging trend is to integrate companies into the global networks by business associations and the reasons that instigated quickening of this trend are:²⁰

- Many small size and medium size enterprises will have to be active within the framework of the world economy,
- From the financial aspect, only Japanese companies can afford multinational companies
- Markets and technologies are rapidly changing, integrating and overlapping.

The associations are becoming

¹⁹ Bešić, C., Đorđević, D., *Benčmarking*, University of Kragujevac, Technical Faculty in Čačak, 2007., pg 189

²⁰ Drucker, P., *Menadžment za budućnost*, PS Grmeč – Privredni pregled, Belgrade, 1996, pg 24

the reality of global earning and successful access to the global market. Unions and partnerships are also necessary due to the fact that the imperative of the global market is continuous production increase and innovation generation.

Drucker considers business associations as the only way to internationalize small and medium enterprises. As far as the large companies are concerned, associations are the way in which they can become multi-technological.²¹

Regarding the improvement of competitive advantage of the domestic companies, the formation of regional clusters is particularly interesting. Regional clusters are the concentrations of the mutually dependant companies in one geographic region. They are limited by their geographical position and they contain large number of companies and employees within the framework of the small number of similar industrial sectors. Clusters are specialized in limited number of industries, which reflects the need to concentrate economic, entrepreneurial and technological activities in specific sectors in the particular area.

6. CONCLUSION

By developing the concept of regional clusters the domestic economy would have many benefits thanks to the following segments:²²

- Good precondition for developing the concept of regional clusters is the compatibility of the domestic economy with the economies of the countries (Western and Eastern Balkans), as well as with the economies of some EU countries

²¹ Ibid, pg 255

²² Đorđević, D., Anđelković, M., Bogatić, S., *Unapređivanje konkurentnosti domaćih preduzeća*, KAS, Belgrade, 2003

- (Italy, Greece) and central European countries (Hungary, Czech Republic, Slovakia),
- Important segment in the development of this concept are traditional bonds of the domestic market with the markets of Slovenia, Croatia, Bosnia and Herzegovina and Macedonia,
- Development of the regional market, increase of the domestic production, productivity increase, increase of the productive employment, and development of the entrepreneur and innovation climate would help to more easily create more stable Balkan region.

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