

BENCHMARKING AS A TOOL FOR IMPROVING MANAGEMENT SYSTEMS

In today's environment of globalization and intensifying market competition, traditional business management methods require constant transformation and the search for new sources of efficiency. One of the most effective tools for an organization's strategic development is benchmarking, which involves systematically analyzing and adapting best practices from market leaders to one's own business processes. Unlike simply copying others' ideas, benchmarking is a complex analytical process that allows for identifying performance gaps and uncovering hidden reserves for improving the management system. The relevance of this topic stems from the need to respond quickly to technological changes, in which the study of benchmark models of operations serves as the foundation for building sustainable competitive advantage and increasing the company's overall market capitalization.

Since its establishment 30 years ago in the manufacturing industry, benchmarking has been used extensively in both the private and public sectors, across fields as diverse as public education, meteorology, and computing. An analysis and synthesis of the literature on benchmarking, published over the decade 1998–2008, was conducted to identify recent developments in benchmarking and its application in diverse contexts. There has been an explosive growth not only in where it is used, but also in the variety of types and methodologies developed. Benchmarking has also become absorbed as a valuable component into many other quality management systems [1 p. 42].

Benchmarking is a way to move away from tradition. It carefully dissects the organization into segments, then removes and inserts components to account for changing environments. Changes occur once the process has started and will continue to mold the organization as long as individuals strive to make it better. If these individuals lose the ability to analyze and make changes, they begin to lose ground [2 p. 254].

Benchmarking involves a series of systematic steps that organisations can follow to effectively compare their performance and practices with industry leaders or competitors. The key steps involved in benchmarking are:

1. *Define the focus.* Clearly identify the specific area or process that you intend to benchmark. Whether it's a particular function within your organisation or a specific aspect of your industry, having a clear focus will ensure a targeted approach to improvement.

2. *Select benchmarking partners.* Identify organisations that excel in the chosen area and can serve as valuable benchmarks. Look for both direct competitors and companies from different industries known for their best practices. This diverse selection will offer a broader perspective and fresh insights to support your improvement efforts.

3. *Gather data and information.* Collect relevant data and information from your benchmarking partners. Employ various methods, such as surveys, interviews, site visits, and the use of publicly available reports. It's crucial to ensure the data is accurate and comprehensive, focusing specifically on the benchmarks you have identified.

4. *Analyze and compare.* Analyze the collected data and compare it with your organisation's own performance. Identify gaps and differences in processes, practices, and

performance metrics. This analysis will enable you to gain a deeper understanding of areas for improvement and learn from the best practices of your benchmarking partners.

5. *Set performance targets.* Based on the insights gained from the benchmarking analysis, establish specific performance targets and goals for your organisation. These targets should be challenging yet attainable and closely align with your strategic objectives. Clear targets provide a roadmap for your improvement efforts.

6. *Develop an action plan.* Create a comprehensive action plan outlining the specific steps and initiatives required to close performance gaps and achieve the set targets. Ensure the action plan includes well-defined timelines, assigned responsibilities, required resources, and key milestones. Tailor the plan to suit the unique needs and capabilities of your organisation.

7. *Implement and monitor.* Put your action plan into motion and execute the identified improvements within your organisation. Regularly monitor progress, tracking relevant performance indicators and metrics tied to your benchmarking focus. Ongoing monitoring allows for timely assessment of the effectiveness of implemented changes and enables necessary adjustments.

8. *Learn and iterate.* Benchmarking is an iterative process that fosters continuous learning and improvement. Evaluate the outcomes of the implemented changes, draw insights from the results, and identify additional areas for enhancement. Leverage the knowledge gained through benchmarking to refine your processes, practices, and overall performance.

Benchmarking focuses on improving a given business process by exploiting "best practices" rather than merely measuring the best performance. Best practices lead to best performance. Companies studying best practices have the greatest opportunity for gaining a strategic, operational, and financial advantage [3 p. 27].

Implementing benchmarking serves as a powerful catalyst for organizational change. It provides objective, data-driven evidence that current management systems can be improved, helping overcome internal resistance to new methods. By pointing to the success of industry leaders, managers can more easily justify investment in new technologies or staff training. This external perspective shifts the focus from 'why we cannot change' to 'how we can achieve similar or better results'.

The main types of benchmarking and their characteristics are presented in Table 1.

Table 1

Type of Benchmarking	Object of Comparison	Primary Goal	Advantages
Internal	Departments or branches within the same company.	Spreading best practices and methods between units.	Easy access to data; no confidentiality issues.
Competitive	Direct competitors operating in the same market niche.	Identifying weaknesses compared to market leaders.	Understanding the company's actual competitive position.
Functional	Companies from other industries with similar processes (e.g., logistics).	Finding innovative solutions not yet used in your field.	Potential for a technological or process breakthrough.
Generic (Process)	Global business process standards (regardless of industry).	Radical strategy change and reaching world-class standards.	Achieving global levels of operational efficiency.

The effectiveness of benchmarking depends on the correct selection of its type, based on the specific needs of the management system. While internal benchmarking is often the starting point for organizations due to its low cost and data availability, competitive benchmarking provides the most critical insights into a company's actual market position. However, for a truly radical improvement in management processes, companies should look toward functional and generic benchmarking. These approaches allow managers to break free from 'industry-standard' thinking by adopting breakthrough innovations from unrelated sectors. For instance, a logistics company might significantly enhance its customer service efficiency by studying the high-speed coordination of world-class hotel chains or emergency response units.

One of the most classic instances of benchmarking success is the transformation of Xerox, which used competitive analysis to close the gap between its manufacturing costs and those of its Japanese rivals. By studying not only direct competitors but also logistics leaders like L.L. Bean, Xerox revolutionized its warehouse operations and significantly reduced inventory costs [4].

The success of a benchmarking initiative is rarely determined solely by the data; rather, it depends on several critical success factors within the management hierarchy. First, top management support is essential to provide the necessary resources and signal the project's importance to the entire staff. Without clear leadership commitment, benchmarking results often remain on paper and are not integrated into daily operations. Second, the organization must be willing to change. Benchmarking is a futile exercise if the corporate culture is rigid and resistant to adopting 'outsider' ideas. Third, a clear focus on processes that directly impact customer satisfaction or operational costs ensures that the effort yields a high return on investment. Finally, the process must be continuous. Because the 'best-in-class' standard is constantly moving due to technological advancements, a one-time study will quickly become obsolete. Sustainable success requires a permanent commitment to monitoring global trends and recalibrating internal goals accordingly.

The primary goal of a benchmarking exercise is to help businesses improve their operations by assessing specific activities or outputs. For the exercise to be effective, a clearly defined scope is essential. The scope must specify what aspects will be included and ensure that at least one comparable activity is available for comparison. A well-defined scope is crucial for the success of a benchmarking exercise. It outlines the objectives, boundaries, and key focus areas, ensuring that the process remains structured and relevant. The scope helps determine what data is required, preventing unnecessary collection and analysis. Additionally, it provides a clear framework for decision-making based on benchmarking outcomes [5].

Key advantages of benchmarking for manufacturers and distributors include:

- *Improved operational efficiency;*
- *Enhanced quality control;*
- *Cost reduction;*
- *Strategic decision-making;*
- *Continuous improvement;*
- *Enhanced customer satisfaction;*
- *Competitive advantage.*

In summary, benchmarking is not a one-time project but a continuous commitment to excellence. Because the "best-in-class" standard is constantly evolving, integrating benchmarking into the permanent management cycle ensures that an organization remains competitive, efficient, and capable of long-term growth in an increasingly demanding market environment.

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