



# BENCHMARKING STRATEGY FOR INDUSTRIAL ENTERPRISE DEVELOPMENT

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## Abstract:

Today, the comprehensive study of ways to increase the efficiency of the functioning of an industrial enterprise based on benchmarking is particularly relevant today, since benchmarking is becoming an objective and necessary tool for the survival and development of an enterprise in the transition to the digital economy. While benchmarking is practically not being utilized in several developing countries' conditions, which is due to a number of reasons, the main of which is the low level of social responsibility of business, which in turn leads to the unwillingness of companies to cooperate with competitors due to lack of confidence in the decency of a benchmarking partner developing countries' business all still prefers to use illegal methods of obtaining information about the activities of competitors (industrial espionage, extracting data from employees, nominees, etc.) in order to determine their position in the market and find ways to gain competitive advantages. In the following article we will look through the strategic aspects of benchmarking, involving a continuous process of research and implementation of advanced management solutions, which necessitates the introduction of the latter into the enterprise management system.

**Keywords:** benchmarking, TQM principles, management levels: strategic, operational, operationing, Intraindustry, Associative, Competitive, Advisory benchmarkings, algorithm for implementation.

## INTRODUCTION

As benchmarking is broadly not used in several developing countries' conditions, the main problem lies in the fact that a developing countries' entrepreneur should not just apply for information about the state and functioning of the business to his competitor or use illegal methods for these purposes, but put into practice civilized forms of relationships within the framework of benchmarking. Benchmarking allows to have a clear vision, both for the company itself and for the partner, of the ultimate goal of its activities, and not only to learn from each other, but to effectively interact in the development and implementation of new approaches to management, organization, activity planning, etc. The growing importance of adopted best practices (including foreign ones) in the field of industrial enterprise management determined the choice of the topic of the scientific article. The degree of development of the problem. The scientific interest in the problem of benchmarking the production potential of an enterprise makes us turn to the analysis of the accumulated theoretical material.

## LITERATURE REVIEW

The essence and technology of benchmarking are considered in the works of Golubeva, Mikhailova and others. In their work determining the essence of the production potential of the enterprise and its place in the system of macro- and microeconomic relations and comprehensively presenting the stages of the benchmarking procedure in the activities of economic entities, as well as identify the features of their implementation in relation to developing countries' conditions where learnt broadly.

The economic behavior of industrial enterprises in the context of reforms is the focus of studies by Ma J. K. H., Vachon T. E., Cheng S, who have clarified the the concept and classification features of benchmarking the production potential of an industrial enterprise, identify the features of its use in the countries' condition and the development of a methodology for benchmarking the production potential of economic microsystems.

In scientific terms, the problem of formation and improvement of methods for measuring the economic efficiency of production and jobs was developed in the works of Beer, Safronov, Ulyanitskaya and others who highlighted in their works the problems of assessing the value of companies, since it is cost management that serves a guideline for decision-making at all levels from strategic to daily operational decisions of managers.

**METHODOLOGY**

Solving the problems of assessing the production potential of an economic entity is faced, first of all, with the inaccuracy of theoretical tools. In the literature, the concept of "production potential" has not yet had an unambiguous interpretation. Although this concept is used to solve such management problems as optimizing the structure of production, planning material flows, increasing the efficiency of resource use, etc. At the same time, the authors (representing different scientific areas) different approaches to its definition and interpretation are used. This circumstance has led to the widespread use in the theory and practice of management of ambiguous concepts that characterize the same functional areas or areas of activity. The use of the potential of enterprises to ensure the sustainable development of the economy is proposed in the studies of Mochalova, Popov, Chudnovskaya and others.

The theoretical and methodological basis of the article was developments, concepts and hypotheses, substantiated and presented in modern economic literature. Within the framework of a systematic approach, methods of comparative, subject-object, functional-structural analysis, as well as theoretical modeling were used in the article.

**DISCUSSION**

**1. Strategic aspects of benchmarking, involving a continuous process of research and implementation of advanced management solutions, which necessitates the introduction of the latter into the enterprise management system.**

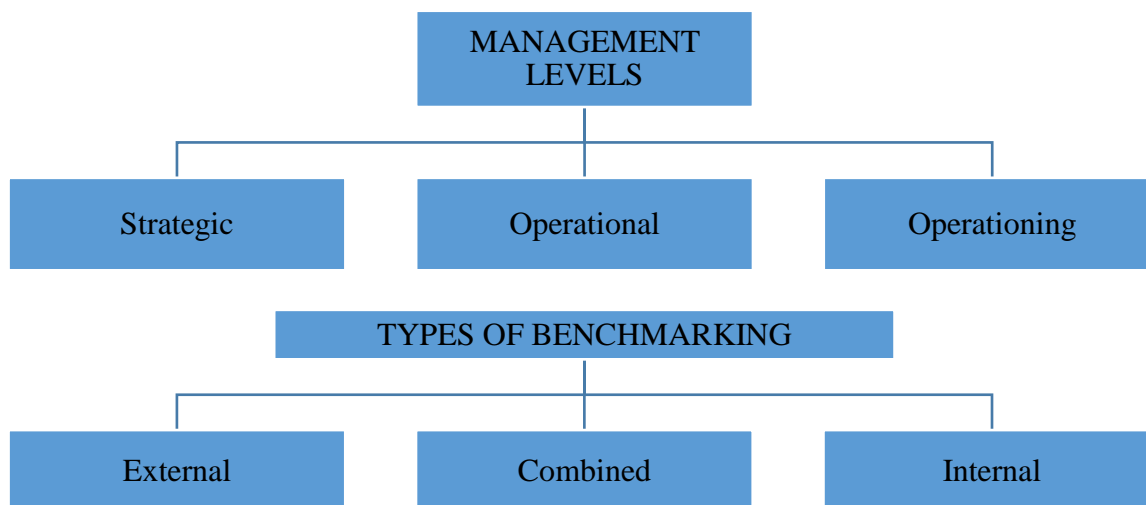
*Aspects of benchmarking.* The development of the world economy and the tightening of competition in local and global markets have led to the emergence of new management methods and tools that allow to evaluate and optimize the effectiveness of the organization at the level of individual business processes. Such methods include benchmarking. Analysis of existing approaches to this category has shown that this:

- 1) the product of the evolutionary development of the marketing information system;
- 2) quality improvement program;
- 3) a strategic analysis tool.

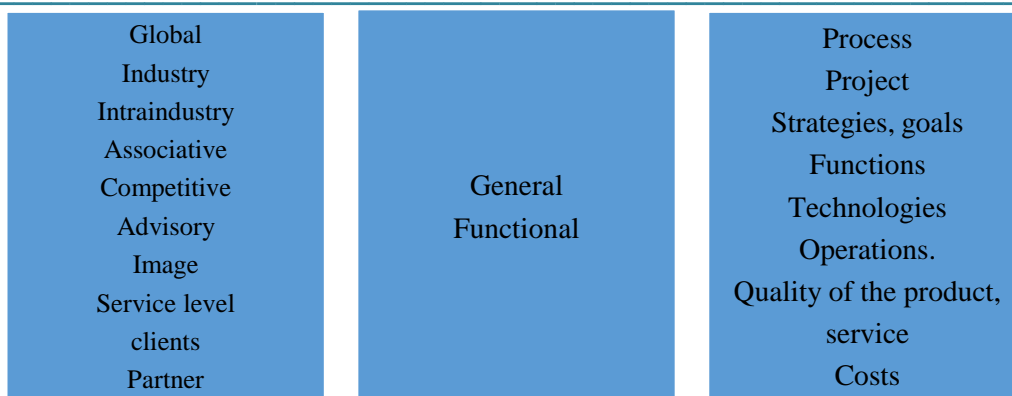
Based on the study of the genesis of the theory and practice of marketing management, benchmarking is defined by us as a continuous process of searching, researching and implementing advanced technologies of the most successful organizations, divisions, individual specialists in the practice of the tested enterprise in order to increase its competitiveness based on improving business processes. This allows us to highlight its important characteristics: continuous comparative monitoring, mandatory analysis of advanced methods and techniques of work at different levels, stages and types of business processes. Best practices always contain non-obvious information that determines the direction of further development: if the borrower can see more than he is offered, then he will fulfill the innovative task of benchmarking.

Benchmarking involves following four basic principles: analogy, measurement, reciprocity, reliability, and as a tool of modern strategic management is based on the methodology of universal quality management (TQM principles)<sup>1</sup>. The generally accepted list is supplemented by the following management principles: purposefulness, specialization combined with universality, consistency, the principle of final decomposition.

*Classification of types of benchmarking.* Existing interpretations of the concept of "benchmarking", approaches to the definition and classification of its types complicate the choice of the latter when solving specific management tasks. In this regard, a classification of types of benchmarking by management levels is proposed, as shown in Table 1, and its main types are compared depending on the duration of the benchmarking cycle, partner companies and expected results (Table 1).



<sup>1</sup> Mahmoud A. B. et al. Validating a new total quality management-benchmarking measurement model in an international humanitarian setting //Nonprofit Management and Leadership. – 2019. – T. 30. – №. 1. – C. 167-182.



**Table 1. Classification of types of benchmarking.<sup>2</sup>**

*Comparison of the main types of benchmarking.* In theory and practice, not enough attention is paid to strategic benchmarking, which plays an important role in marketing management. Strategic benchmarking is considered by the author from the perspective of integrating benchmarking into the process of strategic management in order to identify advanced management solutions and adapt them to the conditions of the enterprise. At the same time, partners can be real and potential competitors, as well as business leaders organizations that are of strategic interest to top managers of enterprises implementing benchmarking. Objects of strategic benchmarking research: successful business strategies used by advanced organizations; alternative management structures; solutions in the field of mergers, acquisitions and investments in R&D<sup>3</sup>; positioning of the enterprise as a whole and individual product lines; implementation of change management strategies, etc. Strategic benchmarking focuses the company on the choice of active development strategies and is necessary to achieve leading positions in the industry and in the market. (Table 2)

Types of benchmarking	Duration of the benchmarking cycle, months.	Benchmarking partner companies	Results
Internal	2-4	Within the organization (divisions, employees)	Significant improvements in the quality of work/services, cost reduction
Competitive	3-12	Competitors	Improving competitiveness
Partner	3-12	Business Partners	Reaching the reference level
Intraindustry	3-14	Enterprises in the industry	The best performance in the industry
Intersectoral, global	3-24	Any enterprises of any branch of the world economy	Best or advanced business processes
Strategic	3-6	Any, depending on the purpose	Formation of effective strategic decisions

**Table 2. Comparison of the main types of benchmarking<sup>4</sup>**

Modern strategic management calls for the development of a benchmarking strategy, which we define as a promising direction of the company's activity in the field of continuous search for the best (reference) methods of organization, business conduct in order to achieve strategic goals and competitive advantages. Benchmarking is integrated into the system of enterprise strategies depending on the type: corporate strategic business competitive and functional internal.<sup>5</sup>

*Analysis of the use of benchmarking.* Benchmarking and the organization's strategy are interrelated and influence each other: on the one hand, the comparative analysis of business processes clarifies and corrects its strategy, on the other hand, the strategy and mission of the organization determine a set of key indicators for conducting a comparative analysis of business processes. Benchmarking in foreign practice acts as one of the methods of strategic planning not based on what has been achieved, but on the achievements of partners and serves as a guide in the development of strategies. It is used both for its formation and for solving operational tasks. Analysis of the use of benchmarking by foreign enterprises revealed the following features of its development:

<sup>2</sup> Rauchs M. et al. 2nd global enterprise blockchain benchmarking study //Available at SSRN 3461765. – 2019.

<sup>3</sup> Ma J. K. H., Vachon T. E., Cheng S. National income, political freedom, and investments in R&D and education: A comparative analysis of the second digital divide among 15-year-old students //Social Indicators Research. – 2019. – T. 144. – №. 1. – C. 133-166.

<sup>4</sup> Bhattacharya S., Momaya K. S., Iyer K. C. Benchmarking enablers to achieve growth performance: a conceptual framework //Benchmarking: An International Journal. – 2020.

<sup>5</sup> Akimova L., Osadcha O., Akimov O. Improving accounting management via benchmarking technology //Фінансово-кредитна діяльність: проблеми теорії та практики. – 2018. – №. 1. – C. 64-70.

- a system of institutions that promotes its effective application and ensures the dissemination and exchange of knowledge about the best achievements of the Global Benchmarking Network (GBN), the International Benchmarking Association, The Benchmarking Exchange (TBE), informing about the most actively developed business processes<sup>6</sup>;
- electronic benchmarking software tools for its implementation, reference books, electronic meetings and surveys, video conferences, virtual scoreboards, auxiliary methods for performing individual operations and outsourcing;
- information technologies for unhindered data dissemination in order to reduce the duration of benchmarking cycles;
- special secure external networks for collective use, e-mail, means of graphical representation of processes, modeling, high-speed search engines etc.<sup>7</sup>

The results of the study of the use of benchmarking by foreign companies allowed us to develop the principles of its use in the strategic management of the enterprise: continuous improvement of business processes using modern management tools; continuous improvement of professionalism and competence of personnel; implementation of a system of indicators according to the identified critical factors in target segments; creation and support of the philosophy of studying the best; an integrated approach to the implementation of benchmarking projects, which allows you to create a permanent mechanism for identifying, copying and adapting the achievements of others to your organization; adopted "reverse" experience. The cumulative results of the assessment of the development of world experience in the use of strategic benchmarking allowed us to conclude that it is advisable to constantly study and apply advanced business technologies in order to form a sustainable competitiveness of the enterprises. Strategic benchmarking should become the main tool of marketing management and move from the strategy of "race for the leader" to the strategy of "playing ahead of the curve".<sup>8</sup>

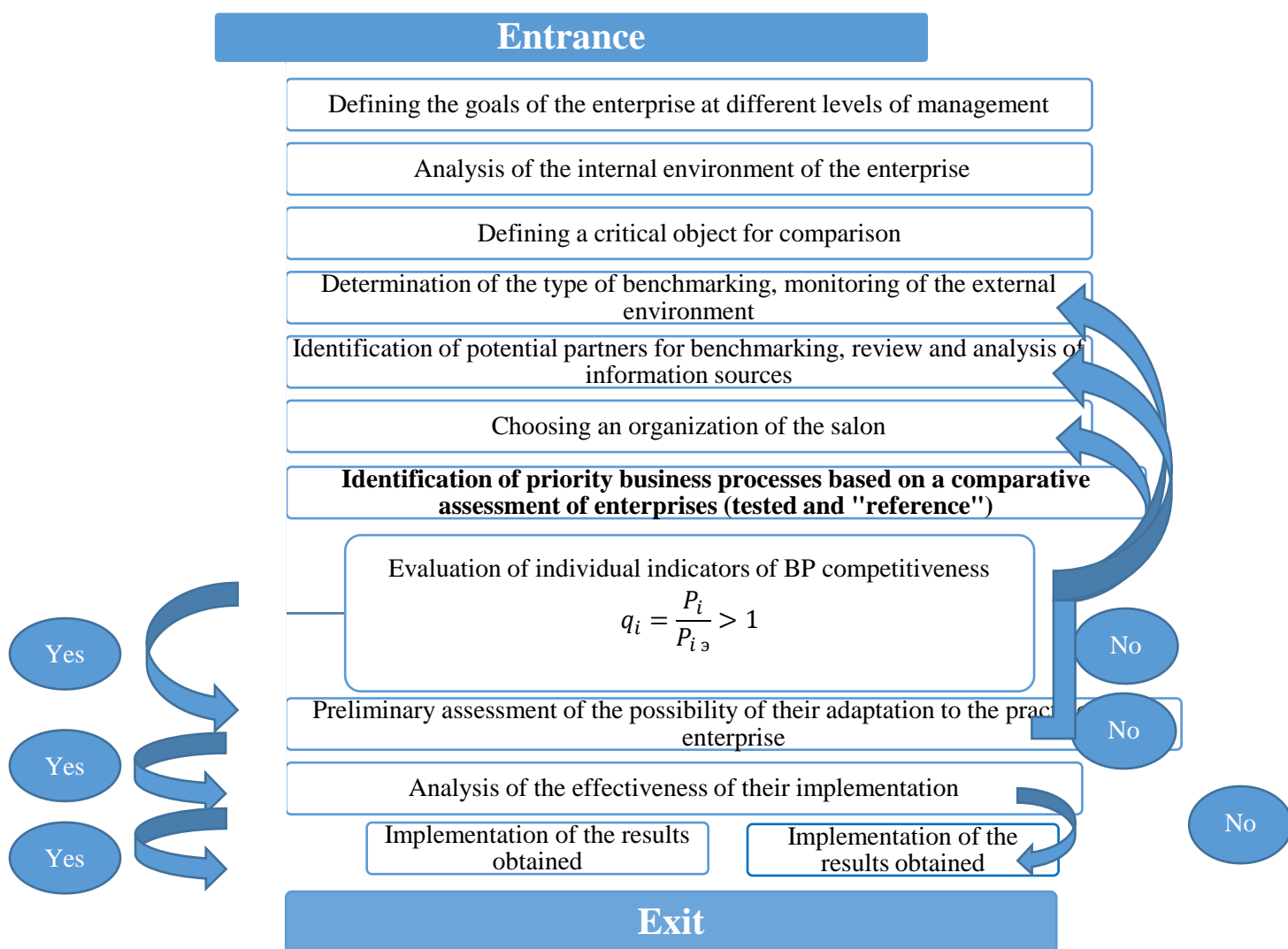
To generalize the existing approaches to the implementation of benchmarking, we can develop an algorithm that allows the use of benchmarking technology at different levels of enterprise management (Fig. 1). Initially, it is necessary to define goals as a unity of motives, means and planned results. The next stage requires an assessment of the internal environment of the enterprise, which allows to identify the aggregate potential that can be used in competition to establish a critical object of comparison and select the type of benchmarking. An important step is to identify priority business processes based on the analysis of information during the comparative assessment of enterprises (tested and "reference"), including: ordering and comparing data; identifying shortcomings in the work of the tested enterprise; determining the gap between one's own and others' achievements by calculating individual indicators of the competitiveness of the business process ( $P_i$  - i indicator of the tested enterprise;  $P_{i_3}$  - i indicator of the reference enterprise), etc. Further, taking into account the balance between the cost of implementing promising solutions and their potential benefits, the effectiveness of the introduced process is evaluated. (Figure 1)

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<sup>6</sup> Olanrewaju A. L. Foundations of Sustainable Construction Management Research: International Benchmarking of the Critical Success Factors //Available at SSRN 4065010.

<sup>7</sup> Avezimbetovich Sharipov, K., & Alisherovna Abdurashidova, N. (2021, December). Benchmarking Strategy for Industrial Enterprise Development. In *The 5th International Conference on Future Networks & Distributed Systems* (pp. 318-322).

<sup>8</sup> Sangwan K. S., Choudhary K. Benchmarking manufacturing industries based on green practices //Benchmarking: An International Journal. – 2018.



**Figure 1. Algorithm of the benchmarking process of an industrial enterprise<sup>9</sup>**

**2. A methodological approach to evaluating the effectiveness of strategic decisions based on the use of a system of performance indicators obtained by ranking the priority goals of benchmarking with the identification of social, scientific, technical and economic effects of implemented projects.**

When determining the effectiveness of strategic decisions, the economic, social and scientific and technical consequences of their implementation should be taken into account. In this regard, the author proposes an algorithm for evaluating strategic decisions formed using benchmarking. The main criteria for assessing the social effect of strategic decisions can be indicators characterizing: changes in the number of jobs at the enterprise and in the region; improvement of working and living conditions of employees; increase in the level of competence of personnel; improvement of the environmental situation and public health; changes in the level of supply of products to the population, etc.

The scientific and technical effect directly depends on the possibility of implementing the innovative activity of the enterprise and is expressed in an increase in information and patents, an increase in knowledge that will lead to an increase in production volumes, an increase in the level of novelty of business processes, etc. Economic efficiency is assessed by means of an aggregate indicator that takes into account the dynamics of market share, the profitability index and the payback period, taking into account the time aspect of the project, etc.

**RESULTS**

The study of the theoretical foundations of benchmarking made it possible to identify its strategic aspects related to integration into the enterprise management system. Strategic benchmarking is necessary for the formation of optimal management decisions of the enterprise, focuses on the choice of active development strategies to achieve leading positions in the industry and in the market.

<sup>9</sup> Сеславина Е. А., Евдокимова Е. Н. Организация бенчмаркинга процессов, связанных с обеспечением безопасности движения // Экономика железных дорог. – 2020. – №. 5. – С. 22-28.

Existing benchmarking techniques helped to form an algorithm for its implementation, involving the introduction of additional stages: defining goals at different levels of enterprise management, identifying a critical object for comparison, identifying priority business processes based on a comparative assessment of enterprises (tested and "reference"), followed by an analysis of the effectiveness of their implementation, which allows the use of benchmarking technology at different levels management.

In the process of studying foreign experience in the use of benchmarking by organizations, the features of its development were revealed, characterized by the presence of a developed infrastructure, using as an alternative method of strategic planning not on what has been achieved, but on the achievements of partners and a guideline in the development of strategies. The combined results made it possible to develop the principles of its use in the strategic management of the enterprises in order to form their sustainable competitiveness.

The results of strategic benchmarking and research of the marketing environment of the enterprise contributed to the substantiation of the diversified growth strategy aimed at the production of technologically new competitive products in the electrical market through the implementation of the project "Development and development of production of modern high-voltage equipment" to achieve competitive advantages by the enterprise. This will help to reduce the scientific and technological gap between domestic electrical engineering and developed countries.

### CONCLUSION

In conclusion to assess the effectiveness of strategic decisions, a methodological approach is proposed based on the application of a system of performance indicators obtained when ranking benchmarking goals with the identification of social, scientific, technical and economic effects of the projects being implemented. Besides, benchmarking involves some basic principles: analogy, measurement, reciprocity, reliability, and as a tool of modern strategic management is based on the methodology of universal quality management.

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