

Analysing the Meaning of Quality Management in Cross-border Business Cooperations by using Benchmarking Methodology

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Abstract

Benchmarking is more than just a comparison of measures about different company's performance in a wider sense. It is a methodology of learning-comparing-learning, at least within small and medium sized enterprises. This learning is not just limited to learn by copying successful concepts from other enterprises or competitors. It starts in learning more about the own company, about its structure and processes causing its own success or its failure. This kind of learning is necessary before the enterprise starts watching for a suitable Benchmarking partner.

Learning from each other's strengths and weaknesses is the main goal of the European research project Quality beyond Borders! By using the Benchmarking methodology, small and medium sized enterprises get the opportunity to take part in a Benchmarking study and can learn more about the different strengths and weaknesses of other enterprises on both sides of the border. The results of such a Benchmarking can help to identify potentials for future cooperations among German and Polish enterprises in the same market or business. These potentials can lie in different ways of realising the same success or top-position.

The Benchmarking study is not focused on an special business or region. That helps to find out trends for different kinds of top-positions, which can be claimed in all markets within a country. Every trend is characterised by different success factors which are responsible for the success in this top-position.

In a first overview, the results of the Benchmarking study show 5 different groups of top-positions within a market which all have different profiles regarding to the importance of their success factors. By the end of the Benchmarking study it will be possible, to give answer about the special reasons for different kind of successes of these groups. These answers can be related to a special region within a country, a special business or of course related to possible differences in the expression of the group success factors in comparison of both countries.

Key Words: Benchmarking, Success Factors, Quality Management

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1. Introduction

With Poland joining the EU, economic activities between Germany and Poland get intensified. It can also be assumed that competition scenarios on both sides of the border will increase. However, there is a broad range of chances for actively operating enterprises of the two states (IHK-Frankfurt/Oder, 2003; Staudt *et. al*, 1994).

On both sides of the border, enterprises can refer to different strengths and weaknesses which result in competitive advantages or lead to competition disadvantages. Business cooperations in general have the advantage to bundle the complementary strengths of the cooperation partners and compensate their weaknesses, too. But using the different strengths causes a high demand on the quality ability of all participating enterprises. Thus the result is a network with high competitiveness (Siebert, 1998; Maaß, 2003).

For a cooperation it is fundamentally, that the enterprises are able to analyze their own strengths and weaknesses objectively regarding to their competitive position. Only by being aware of the own *key success factors* and the ones of the partner, the cooperation will be able to use the possible synergy of a partnership in an efficient way.

The analysis of the own competitiveness includes an assessment of the enterprise's quality ability, where the results are compared with the results of the partner. With that, the enterprises can discover in which areas efficiency increases are possible. That kind of Benchmarking can be made against the own business or business independently.

The research project *Quality beyond Borders*¹⁾ is dedicated to develop and test a *Benchmarking methodology* to analyse different kinds of *success factors* of small and medium sized enterprises of the European cross border region *Pro-Viadrina* and *Neisse-Bober*. Thereby, one of the project's main goals is to find an evidence for a positive relation between *success factors* and *quality management practises*.

In the first context of this contribution, a methodology of Benchmarking will be introduced. Further more, a first preview of the expected results by applying this methodology within a *Benchmarking study* in the cross-border region will be given. The represented Benchmarking methodology is developed according to the special requirements of small and medium-sized enterprises.

2. The Benchmarking Methodology

The main goal of *Benchmarking* is to initialize lasting improvements in the own enterprise on the basis of comparison with leading enterprises within a special focused class. It

1) The project is co-financed by the European Initiative INTERREG IIIa



gets clear that *Benchmarking* is more than a pure identification and comparison of measures, as it is the case by a pure company comparison or a special competition analysis.

Pure Company comparisons are carried out in the same business and require partner enterprises with a similar company structure, company size or market orientation. This form of comparison is an important area of the competition analysis, which primarily refers to the examination of advantages and disadvantages at the market performances or also in the strategic orientation on the market of the enterprises competitors (Zdrowomyslaw, 2002; Hahn, 1994).

In contrast to the pure company comparison, Benchmarking does not only compare the results of two or more companies. It analyzes, why other enterprises come off with a better performance in the focused sizes. But it is not all about finding out how good other enterprises are, it is more important to identify how these companies generate and manage such a performance in the areas in which they have been identified as particularly good.

Benchmarking is not only limited to the main competitors. Much more the intention should be to exceed the *Benchmarking horizon* beyond the own business to analyse the success stories of the leading companies in non-competition areas to obtain competition advantages within the same business. For this reason, it will be necessary to look behind the success stories of top-positioned enterprises to understand the concept, how they are able to act on a high level of performance in this market (McNair *et al.*, 1992).

Regarding to the different possible benchmarking horizons or the different benchmarking objects, deeper specializations of the *Benchmarking methodology* can be taken (Lamla, 1995).

2.1 Different Kinds of Benchmarking Horizons

Benchmarking is a systematic approach of organizational learning within enterprises. Especially in relation to the *Benchmarking horizon* of comparisons or to the choice of the benchmarking partner, Benchmarking can be subdivided in 3 different approaches, shown in Figure 1 (Töpfer, 1997; Watson, 1993).

Business independent benchmarking has the widest horizon. Because the participating enterprises are not in a direct competition. So they are more open for an information exchange. This advantage leads to the chance to obtain new ideas for innovation within the own company against the *Benchmarking within the own business*, where the potential for improvement is limited.

However, for using the advantages of the *business independent benchmarking*, opportunities of innovation have to be worked out very carefully in advance. Especially for a *cross-business comparisons* of processes, a well-defined standard for measuring and exchanging information is needed.

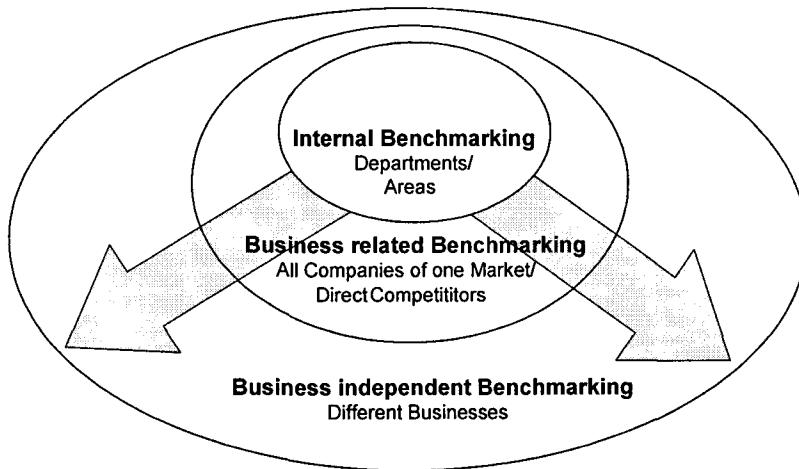


Figure 1. Benchmarking Horizons

Business-related Benchmarking tries to find out general trends within the same business and not in concrete competitive positions, as in the case of the *Competition-related Benchmarking*. Therefore it is necessary to examine a larger group of enterprises from the same market and with similar products.

The focus of the *Competition-related Benchmarking* lies on the evaluation of the performance of direct competitors in the same field of business and not just on the average of the business. But the *Competition-related Benchmarking* offers only a few possibilities for working out competitive advantages since no new ideas and actions for the development of the own competitive position can be derived.

The *Internal Benchmarking* describes the Benchmarking between different departments or areas within the same company. It is the simplest form of Benchmarking and can be seen as the first step of an improvement process. In the case of larger companies the *Internal Benchmarking* also includes the comparison between different subsidiaries of one and the same company.

2.2 Benchmarking Objects

Beside a specification referring to the *Benchmarking Horizon*, a further dividing can be carried out in relation to the *Benchmarking Objects*. Thereby, products and services, functions, structures, processes and methods are particularly considered as objects (Lasch, 1998).

For the choice of the *Benchmarking Object* it is necessary to ensure, that the comparison of special measures leads to the cause of the success. Only in such a way a chance to set up an effective and lasting improvement within the own company exists (Zairi *et al.*, 1994). According to the different *Objects of Benchmarking*, the *Strategy Benchmarking*, *Structure*

Benchmarking and the *Process Benchmarking* can be distinguished.

At the *Strategy Benchmarking* it is all about the analysis of an enterprise regarding its positioning in the market, its concrete competition strategy, its market behaviour or its market perception.

The *Structure Benchmarking* refers to the enterprise itself and has the analysis priority on organizational aspects, the number of executive levels, communication structures or established resource management activities. In general, it is all about an objective and global comparison of the enterprise as an organization unit.

The *Process Benchmarking* is by far the most effortful and most detailed form of Benchmarking. It takes place in a concrete area of the enterprise, for example in the production or procurement and is dedicated to analyze the concrete processes in these areas.

3. Benchmarking for Small and Medium Sized Enterprises

The economical structure within the cross-border region is primarily characterized by small and medium sized enterprises. So it is necessary to adopt the *Benchmarking methodology* to the requirements of this company class. A difference to *Benchmarking* within a bigger enterprise is the availability of needed *Benchmarking Data* and the readiness or willingness of the enterprises to provide it.

A successful *Benchmarking* is based on the quality of the *Benchmarking Data* related to the chosen *Benchmarking Object*. But exactly in this point the problem for *Benchmarking* in small and medium sized enterprises arises. Bigger companies are forced to dispose relevant data about their company structure or processes because of their duty to publish and report to its shareholders. Small and medium sized companies are acting more covered in the sense of giving away internal information to third parties.

This ends up in the fact, that small and medium-sized enterprises in the most cases do not have any transparency about their own operational processes and are not able to provide any information needed for a successful partner finding. The awareness of large enterprises, that the actual potentials of success are due to this transparency, do not exist among smaller and middle sized enterprises yet.

That's why, Benchmarking for SME must be understood as a learning process passing through several phases, unlike Benchmarking in large companies. The need for detailed *Benchmarking Information* increases with every phase. By this gradual procedure, the enterprises will be slowly sensitized for the execution and the potential of the Methodology regarding to the benefit of transparency and evaluation of the own enterprise. Figure 2 shows 3 phases for the execution of a Benchmarking project.

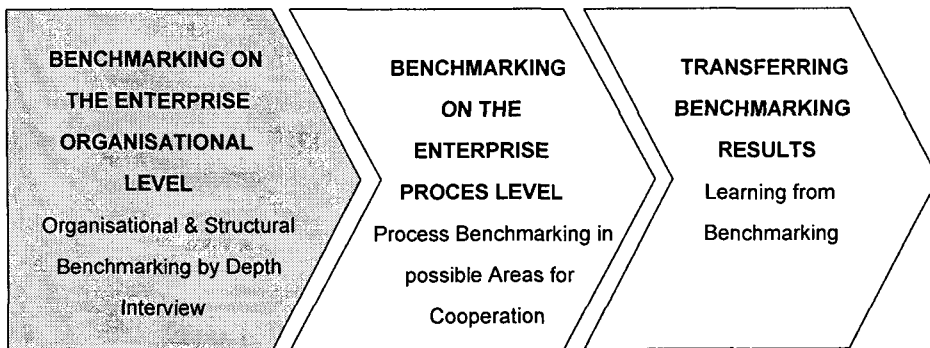


Figure 2. The Benchmarking-model for small and medium sized enterprises

3.1 Business independent Benchmarking on the Enterprise Organisational Level

The first phase includes a *business independent Benchmarking* at the enterprise level like a *Strategic or Structural Benchmarking*. The *Business independent Benchmarking* takes place in the context of a depth interview with pre-selected enterprises of Germany and Poland. The 60 different enterprises are withdrawn from a pool of approx. 2000 enterprises. They received the prior offer to take part within the depth interview.

The main goal of this interview is to get an overview of the enterprises. From this kind of self assessment it can be seen, how the enterprise and its performance is placed within the

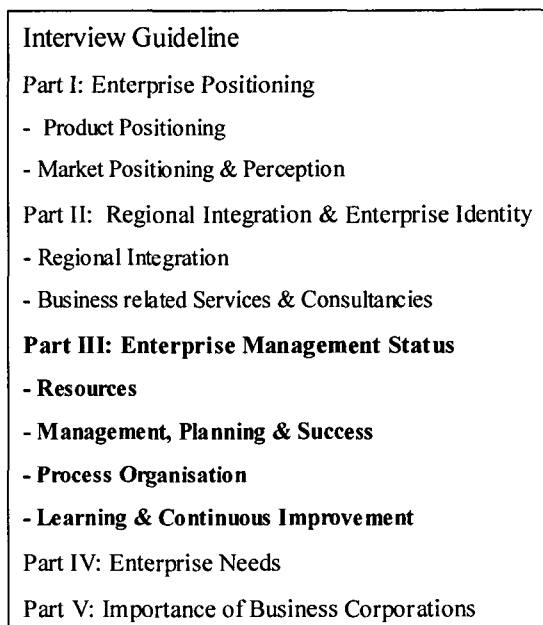


Figure 3. Structure of the interview guideline

region and the market, and how the enterprise is organizing its processes and resources. Or how the enterprise is measuring the success. Further on, from this assessment profile will be deduced, which basic goals the enterprise is pursuing and which factors are seen as their primary key success factors with a high impact on the attainment of the enterprise's aims. In the assumption of this project, that cooperation can help to bundle the strengths of cooperating companies, an assessment of the previous cooperation with other enterprises is also carried out (Gruber, 2000).

Figure 3 shows the structure of the interview guideline of the depth interview.

For the assessment of the enterprises the criteria model of the *Quality-Award Berlin-Brandenburg* is used, which in turn is a modification of the EFQM-model. The Enabler Criteria Leadership, *Politics & Strategy*, *Employees*, *Partnerships*, *Resources & Processes* represent the success factors within the Benchmarking Methodology, which lead to special results appearing on the result side of the model. The results can be further divided in *employee-related*, *customer-related* and *financial-or organizational-related* results.

The interview guide matches several requirements of SME. As already mentioned, the first one is the business-independent usability which means that the results can be of use for a Benchmarking between enterprises of different businesses, different sizes or reputations, for example. The independence from the own business helps to decrease the aversion of using Benchmarking in small and medium-sized enterprises regarding to the exchange of important information about the own enterprise.

Furthermore, the expected Benchmarking results allow a conclusion from the completeness on the enterprise as a whole without representing an effort of a whole and deep self evaluation like the self-assessment for the application for a Quality Award, for example. The necessary requirements on the data quality were put on a qualitative standard so that a complete and open reply is possible among all participants (Komus, 2001).

3.2 Benchmarking on the Enterprise Process Level

Although the Benchmarking at the process level is not object of this contribution, its function and meaning for the Benchmarking shall be introduced in the context of this project.

The Benchmarking at the process level represents the second and highest level of detailed Benchmarking data within the Benchmarking project. The participating enterprises get a given chance for a Benchmarking on a process-level within a concrete area of the enterprise. The following areas could be the focus for a Process Benchmarking:

- *Research and Development*,
 - *Procurement*,
 - *Production*,
-

- *Logistic,*
- *Sales,*
- *Service.*

In this phase, the Benchmarking is intensified more strongly and deals with the effectiveness and efficiency of selected processes in a special corporate area. For this kind of Benchmarking, a gradual abolition of the anonymity of the enterprise's data is required. This intensifies the cooperation among suitable Benchmarking partners and creates confidence on all sides.

It is one of the main goals of the Benchmarking study to find out, by which specific results the enterprise is measuring its *success* and which *success factors* are primarily responsible for it. By using *success measures* and *success factors* within the *Process Benchmarking*, a relation to the first Benchmarking phase is built up.

For this reason, possible *success measures* and *success factors* for the pre-selected enterprise areas were taken from a detailed research of studies which were already carried out in advance. The given range of *success measures* shall ensure the comparability of the *Process Benchmarking* results afterwards (Dresen, 1997; Ester, 1996; Fahrni *et al.*, 2002; Schröder, 2000).

By the identification and analysis of *success factors* within a particular enterprise area, the importance of quality management in relation to the *success factor* and to the *success measures* shall be analyzed. Figure 4 shows a possible relation between a concrete *success measure* & *success factor* and a quality audit within the procurement area of the enterprise.

Analysing the impact of quality management on identified success factors can help the enterprises to learn something about opportunities to make their own business more successful.

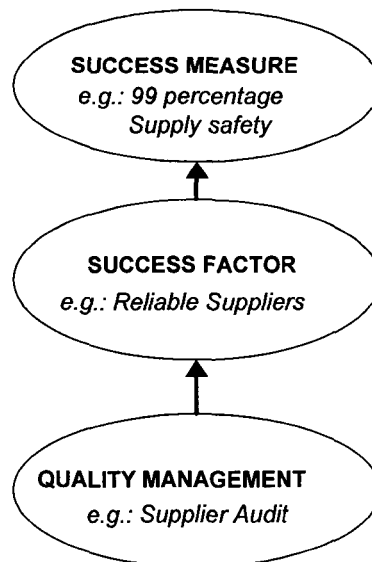


Figure 4. The relation among quality management, success factors and success measures

It is important for a successful Benchmarking to find out *How is the benchmarked company realising its success factors and how do these factors lead to its success results?*

3.3 Transfer Benchmarking Results - Learning from the Best with Benchmarking

“... Quality is not an end in itself, but simply a means of setting up a system which is optimally capable of delivering value. People, information and processes in an organization must be systematically united to create such a system. Benchmarking is an exceptionally powerful instrument for discovering and learning how other organisations have built their quality systems” (Karlöf, Östblom, 2001).

Benchmarking means *Learning from the Best!* In the sense of this project, a positive relation between a high performance in quality management and the success of an enterprise is assumed. Quality management can help to determine and ensure key *success factors* which leads to a special success-*the Benchmark*.

But learning from the Best within the Benchmarking does not only mean copying the successful concepts in hope to obtain the same gain as the Benchmarking partner does. It primarily means using the experience from the participation in the Benchmarking to identify the key issues behind the success of the partner and to learn, how the partner could set up the *necessary success factors in using quality management practises* (Karlhöf, B. et al., 1993).

Learning from participating within the Benchmarking project shall also help enterprises in using the Benchmarking methodology for evaluating their own performance in the context of an continuing improvement together with a partner enterprise, doesn't matter whether it comes from the same business or not.

Therefore the third phase immediately follows the Benchmarking from the first two phases and contains a final and complete judgement of the conducted *Benchmarking* results. On the base of the identified *success factors* and a related significance to the impact of quality management, recommendations of concrete actions shall be derived and exchanged in the context of a *Benchlearning Transfer* between the enterprises.

4. Preview on the Expected Results From the Benchmarking Study

The recent Benchmarking study contains the business independent Benchmarking on the Enterprise organisational level in form of a depth interview. The interview is conducted within 60 companies, where 10 Polish companies take part. The companies are required to give information about their possible successful positions within their business or markets and their most important strengths and weaknesses. Furthermore, detailed information about the key drivers of their success are obtained in a way, that it is possible to get an overview of the enterprise's structure, organisation or strategy as well.

	Group 1 Innovation Leader	Group 2 Market Leader	Group 3 Quality Leader	Group 4 Specialist	Group 5 All rounder
Product Quality	+		+	+	
Full Service & Consultancy		+			
Flexibility [Requirements]			+		+
Equipment & Resources		+	-	-	+
Process & Technology				-	
Know How & Experience		-	+		
Innovation & R	+		+	+	-
Employees & Skills	-			+ -	
Management				+	
Strategy					-
Location & Region			-		+
Contacts & Cooperation's	-				-

Success Factors + [Strengths] Need for Improvements - [Weaknesses]

Figure 5. Success Factors and Improvement Needs related to different Success Positions

The companies are not from the same business or the same enterprise size. For this reason, the Benchmarking study is dedicated to find common trends within a special group of enterprises which are claiming the same top-position in their own market. It wants to find out, if there exists a special number of success factors for each group. For this case, the other information from the enterprise of a special group will help, to build up a more detailed profile about a special *Top-Positioning*-group. Figure 5 shows a summary from the first depth interview of the Benchmarking study.

In the headline of the matrix five different groups are shown. Every group contains enterprises with the same claimed *Top-Position* in their home business. The left column shows every possible success factor for the interviewed enterprises behind the five groups. The *success factors* can also be *needs for improvements*, mentioned within the interview.

The Matrix in Figure 5 shows the most important *success factors* and *needs for improvements* which are mentioned by the enterprises of the different groups, always symbolized by a *plus* for a matched *success factor* or a *minus* for *the need of improvement*.

Group 4, for example, contains enterprises which are claiming to be leading their market in being a *specialist*. The key success factors of the specialist are the *product quality*, the *employees*, their *innovation* potential and their strict *management*. The enterprises perceive their weaknesses in recruiting new *employees* for the future regarding to their needed skills and the inefficient use of their *resources and processes*. Especially the strong focus on special orders are the biggest reason, that *resources and processes* can only be used for a limited and special number of applications. The employees seem to be a special and risky fac-

tor within this group, because they are their success and weakness in the same case. *Specialists* need employees with special and high defined skills and education or experiences. But they are harder to find on the labour market than an employee with a more common education.

Likewise the group 4, any other group can be described by some special factors. That makes it helpful to go on with the analysis of the remaining data from each enterprise in this group. The rest of the data will help to sharp the profile for each group behind the success and the most important success factors. In the best way it will be possible to give an exact answer about the special expression of each factor - regardless to its meaning for success or not. That helps to understand, what makes each group special and unique in reaching a top-position in a market.

Of course, each group includes enterprises from all businesses, where also differences appear, for instance between a *Specialist* for chemical products or an IT-Consultant. However, it is not the goal of the business independent Benchmarking to find out these differences. It has to find out trends and common things, so that Enterprises can learn from each other, if they want to reach a special top-position like being a *Specialist!*

The current division of the five groups which are shown in figure 5 goes back to the current stage of the data analysis. In this stage it is hard to say, whether this division structure can be kept on or not. For instance group 4 and group 5 could be seen also in combination with one of the first three groups.

The next phase should be the Benchmarking on the Process-Level of the enterprises. Here they will get the opportunity to find out, what actions can be taken to realise the success factors for a special group, for example using Quality Management techniques within the development process of the enterprise.

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