

УДК 339.138

JEL Classification: M31:M13:M21

DOI 10.35433/ISSN2410-3748-2022-2(31)-1

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## **BENCHMARKING AS A PROJECT TOOL OF COMPETITIVENESS IN MODERN BUSINESS**

*The definition of the category “benchmarking” is examined and clarified in this article. The underlying aims and characteristics of the application of benchmarking as a project tool for searching as well as justifying management decisions regarding the increase of competitiveness of the business are considered. The scientific concepts of defining the essence of benchmarking as an economic category are presented. It is established that there are numerous ways of interpreting this very definition. A universal approach should be specified, since currently benchmarking is not only used for enterprises, but also within the organization and management of individual areas. Two approaches on how to interpret the definition of benchmarking are suggested, namely a static and a dynamic one. On the one hand, it allows to define benchmarking as a management method and, on the other, as a constant and changing process determined by external and internal factors. Consequently, it is proposed to consider benchmarking as a management method, the essence of which is to highlight the most outstanding outcomes of economic agents (primarily business entities) and utilize it in the performance of other enterprises, institutions, and organizations. The intention behind the use of benchmarking in the business activities is justified and the main stages of its implementation at the enterprises are determined. It is concluded that the use of benchmarking yields marginal efficiency and effectiveness of the business processes, increases productivity and quality of the services; enhances competitiveness and marketing*

*effectiveness; improves the utilization of resources as well as supports the quality of the management and optimal management decisions-making. It is shown that benchmarking has been widely established in Ukraine, yet. The major underlying causes are the lack of a unified conceptual tool, the unavailability of information, the lack of developed cooperation and partnerships as well as the reluctance towards innovations in the management processes. Nevertheless, the utilization of benchmarking provides a unique competitive advantage and successful operation of a business entity in the long run.*

**Keywords:** *benchmarking, competitiveness, competitive advantages, evaluation methods, project tool, efficiency, decision-making process, quality improvement, marketing.*

## **БЕНЧМАКІНГ ЯК ПРОЕКТНИЙ ІНСТРУМЕНТ КОНКУРЕНТОСПРОМОЖНОСТІ В СУЧАСНОМУ БІЗНЕСІ**

*У статті досліджено та уточнено визначення сутності категорії «бенчмаркінг», розглянуто цілі та особливості використання бенчмаркінгу як проектного інструменту для пошуку та обґрунтування управлінських рішень щодо підвищення конкурентоспроможності суб'єктів підприємницької діяльності. В статті наведено наукові концепції визначення сутності бенчмаркінгу як економічної категорії. З'ясовано, що існує значна кількість концепцій розгляду цієї дефініції, встановлено універсальну природу даного поняття, оскільки бенчмаркінгу на сьогодні вже використовується у роботі не лише підприємств, але і при організації управління окремими сферами. У статті запропоновано використовувати два підходи до розгляду сутності бенчмаркінгу: статичний та динамічний, що дає можливість визначити цю категорію, з одного боку, як метод управління, а, з іншого, як детермінований зовнішніми та внутрішніми умовами постійний та змінний процес. У результаті дослідження запропоновано бенчмаркінг розглядати як метод управління, сутність якого полягає у виокремленні кращого досвіду роботи економічних агентів, насамперед суб'єктів підприємницької діяльності, та використання його у роботі інших підприємств, установ, організацій. Теоретично обґрунтовано доцільність використання бенчмаркінгу у діяльності підприємницьких структур та визначено основні етапи його проведення на підприємстві. З'ясовано, що результатом проведення бенчмаркінгу є підвищення ефективності та раціональності бізнес процесів; підвищення продуктивності та якості послуг; підвищення конкурентоспроможності, ефективності маркетингу; поліпшення використання ресурсів; підвищення якості підтримки управління; більш швидке й оптимальне прийняття управлінських рішень. Доведено, що в Україні бенчмаркінг поки що не знайшов достатнього поширення, основними причинами чого є відсутність єдиного понятійного інструментарію, закритість інформації, недостатня розвиненість партнерських відносин, неспроможність багатьох суб'єктів підприємництва впроваджувати інновації в управлінську діяльність. Але використання бенчмаркінгу забезпечує отримання унікальних конкурентних переваг та успішне функціонування суб'єкта підприємництва в довгостроковій перспективі.*

**Ключові слова:** *бенчмаркінг, конкурентоспроможність, конкурентні переваги, методи оцінки, проектний інструмент, ефективність, прийняття рішень, підвищення якості, маркетинг.*

**Formulation of the problem in general.** In the market conditions of business, ensuring and increasing the competitiveness of business structures

becomes a necessary condition for their functioning. For this, business entities need to orient themselves to constant changes in the external environment and constantly increase the efficiency of their economic activity, improve the management process at the enterprise, use new approaches, methods and tools to determine the level of their competitiveness. One such tool is benchmarking.

Possession of benchmarking technologies and their effective use is an integral prerequisite for the market success of business entities. Its key feature is its creative nature, focusing on best practices with subsequent synergy of results. This makes it possible not only to reach the level of competitors, but also to exceed it. This feature of benchmarking becomes especially relevant when the economic situation develops dynamically, and it becomes very difficult to maintain (and even more increasing) market share in fierce competition. Therefore, the further development of the benchmarking theoretical base, as well as its adaptation to the domestic specifics and conditions of the business entities functioning, are relevant and necessary.

**Analysis of recent research and publications.** Theoretical and methodological aspects of assessing the enterprise competitiveness are actively studied by such scientists as I. Ansoff, A. Voronkova, I. Herchikova, A. Gradov, P. Zavyalov, M. Porter, V. Oberemchuk, R. Fathutdinov, Z. Shershnyova etc. All authors draw attention to the importance and necessity of determining the level of enterprise competitiveness. The analysis of the latest research and publications shows that this issue is sufficiently covered in the scientific literature, but the multifaceted activity of business entities and the variability of the external environment require constant improvement of already existing methods and approaches.

One of the new approaches to determine the competitiveness level of business structures is the benchmarking method, which has become widespread in foreign practice. Such foreign scientists as D. Aaker, N. Voevodyna, I. Danilov, D. Maslov, R. Rader, T. Pilcher and others are engaged in the study of

theoretical aspects of benchmarking. In Ukraine, this approach to determining and increasing an enterprise's competitiveness began to be studied in Soviet times, but today benchmarking is theoretically and practically underdeveloped. Some aspects of benchmarking are considered in their scientific works by such domestic scientists and economists as M. Bublyk, N. Habruk, L. Dovgan, M. Kasatkina, Yu. Karakai, M. Lyutikova, O. Makarchuk, K. Redchenko and others.

**Setting objectives.** The purpose of the study is to deepen the study of the benchmarking theoretical aspects and to substantiate the scientific and methodological provisions regarding the expediency of its use in the activities of business entities for the search, evaluation and adoption of effective management decisions to increase the competitiveness of one's own business. In this regard, the task was set to consider the economic essence of benchmarking and the main approaches to its definition; determine the main goals of benchmarking and compare this method with competitive analysis; to theoretically substantiate the necessity of using benchmarking in the activities of domestic enterprises, having determined its main advantages, and to establish the main stages of its implementation at the enterprise in order to find and make effective management decisions to increase the competitiveness of the enterprise.

**Presentation of the main research material.** In the most generalized way, the competitiveness of an enterprise can be defined as the potential or realized ability of an economic entity to effectively operate in the long-term in the relevant external environment. The competitiveness of the enterprise is based on competitive advantages; determines the ability of the enterprise to withstand competition in a certain market; reflects the position of this enterprise in relation to competitors [1, p. 15]. Therefore, determining the level of competitiveness is a rather important task today.

The study of scientific literature made it possible to conclude that there is no single approach to assessing the competitiveness of business entities, which is explained by the large number of researchers and the diversity of their scientific interests.

The method of assessing the competitive status of an enterprise is discussed in the well-known manual of O. Gradov [2, p. 254]. The assessment of the firm's competitive status is formed by determining the level of the firm's strategic potential at each stage of the life cycle of its competitive advantage, as well as the influence of the determinants of the "national rhombus" and the combined influence of internal and external factors. In order to determine the competitive position, it is proposed to use a set of matrix methods, which include the matrix "Industry growth/Market share" (BCG model), the matrix "Industry attractiveness/Position in competition" (GE/McKinsey model), the matrix of directed policy or "Industry attractiveness/Competitiveness" (Shell/DPM model), "Market development stage/Competitive position" matrix (Hofer/Schendel model), "Product life cycle stage/Competitive position" matrix (ADL/LC model), etc. These methods are used in strategic planning, analysis of the current state and future prospects.

A graphic method, which is the construction of a polygon of competitiveness (petal diagram), is highlighted separately. Its advantages include simplicity and transparency. A certain criterion or factor of competitiveness is attached to each axis.

Sometimes the competitiveness of an enterprise is equated with the competitiveness of its products, believing that this is the main prerequisite for the enterprise's success on the market. Indeed, this is one of the key factors of the company's success in the market. Under the conditions of a stable external environment and constant improvement of the quality and price characteristics of its products, the level of products' competitiveness can be taken as the competitiveness of the enterprise in general. But the modern national and global

economy is characterized by a rather high level of instability, a significant spread of integration processes, which leads to the need to adjust the company's goals, use new management methods, and therefore, only competitive products will not reflect the true positions of the company.

One of the complex methods of assessing competitiveness is the method based on the effective competition theory. It is often mentioned by various scholars. According to it, four groups of criteria are distinguished – the efficiency of production activity, the financial position of the enterprise, the efficiency of the sales organization and the promotion of goods on the market, and the competitiveness of products. Each of the criteria consists of a number of specific indicators, the number of which may vary.

Another, no less interesting method is the method based on the analysis of the comparative advantages of competing enterprises [3, p. 179-180]. One of the newest and most modern approaches to determining competitiveness is the benchmarking method. Benchmarking has long won sympathy and support and is successfully used in the practice of Japanese, American, Western European and Scandinavian businessmen and scientists [4, p. 22].

The largest companies in the international arena that develop benchmarking strategies are “Wall-Mart Stores” (USA), “General Motors” (USA), “British Petroleum” (Great Britain), “Daimler Chrysler” (Germany), “Royal Dutch Shell” (Great Britain), “General Electric” (USA), “Toyota Motor” Japan [5, p. 9].

The concept of “benchmarking” (from the English “bench” – level, height and “mark” – mark – reference mark, height mark, starting point, reference comparison, expert standard used as a control point) first appeared in 1972 at the Institute of Strategic Planning in Cambridge [6, p. 45]. But its main concepts were known much earlier. Research on scientific methods of work organization was carried out by Frederick Taylor at the end of the nineteenth century, which can also be considered the basis of the benchmarking concept.

The study and analysis of the scientific literature shows that at the current stage there is no consensus on the definition of the essence of benchmarking. But there are other points of view about the essence of the “benchmarking” category. Thus, D. Aaker, a professor at the University of California, defines benchmarking as control comparisons that involve comparing the performance of the company’s business components with other enterprises [7, p.534].

Large corporations that successfully use the benchmarking technique in their activities provide such definitions as the process of carefully evaluating your performance against the best companies in their field, using the results to match and surpass them (Kaiser Associates); the standard of excellence or achievement against which relevant performance is measured (DuPont Fibers); the search for industry examples of exemplary practice that enable the highest results to be achieved (Xerox) [14, p. 360].

Jason Grayson, Jr., Chairman of the International Benchmarking Clearinghouse, highlights the reasons for the popularity of benchmarking at the current stage, such as global competition; reward for quality (leading quality companies enter the national markets); the need for constant adaptation and use of world achievements in the field of business technologies [5, p. 9].

Thus, conducted research makes it possible to assert that the essence of the concept of “benchmarking” is ambiguously defined by scientists and practitioners. It is considered both as a concept, and as a process, and as a special type of activity, a tool, a method of evaluating strategies, work goals, a method of obtaining competitive advantages, etc. Benchmarking began to pay more attention not only to the collection of information for comparison and the methodology of selecting the best enterprises, but also to the development of such a corporate culture within the enterprise itself, which would promote the perception of better work methods, as well as the search for better methods of enterprise functioning outside the industry.

Summarizing the given concepts, we can offer the following definition of benchmarking: it is a method of obtaining competitive advantages or a tool for increasing the competitiveness of a business entity through a systematic, continuous search, study, and adaptation to one's own conditions of the best methods of implementing business processes, with the help of which the needs of the market are met and the efficiency of the company's activity increases, which contributes to the stable development of business in the conditions of an unstable external environment.

For most companies, benchmarking is not new, as it was carried out within the framework of competitive analysis, although benchmarking itself is a more detailed, formalized and ordered function than the approach of competitive analysis [4, p. 25]. At first glance, benchmarking may seem similar to competitive analysis, although in reality there are significant differences between them [4, p. 23], which are displayed in Table 1.

Benchmarking develops the analysis of competitiveness, which is limited to the study of competitors, their products, costs and technologies, characteristics, economic and financial indicators; relations with customers and suppliers. Competitiveness analysis allows you to identify the differences between competitors, but it does not explain how to process these differences and win the best positions in the business. This is facilitated by benchmarking, which, based on comparison and analysis of the activity process, is aimed at understanding the causes of discrepancies in order to overcome these differences [15].

Table 1. Comparison of benchmarking and competitive analysis [4, p. 24]

Parameters	Competitive analysis	Benchmarking
General purpose	Analysis of competitors' strategies	Analysis of the advantages of competitors and leading companies in other industries
Subject of study	Strategy of competitors	Business methods that lead to satisfaction of customer needs
Major limitations	Limited to a specific industry	Not limited



	or market	
Decision-making challenge	Significant	Very large
Main sources of information	Industry experts and analysts, direct competitors	Leading companies in the industry, outside the industry, competitors, internal divisions, etc.

The main content and purpose of benchmarking, as stated by M. Bublyk, M. Khimyak, and M. Lieber [13, p. 196], is to identify differences with a compared analog (standard), determine the reasons for these differences, and identify opportunities for improving benchmarking objects. The objects of benchmarking can be methods, processes, technologies, quality parameters of products, indicators of financial and economic activity of the enterprise (structural divisions). With the help of this tool, it is possible to determine the target parameters of the enterprise's activity, which must be followed in order to ensure its stable competitiveness [12, p. 367].

The main purpose of benchmarking is to reliably establish, based on research, the probability of entrepreneurial success. The main goals of benchmarking include determining the company's competitiveness and its weaknesses; awareness of the need for change; selection of ideas for radical improvement of business processes; identifying best practices for companies of this type; development of innovative approaches to improving business processes; facilitating the setting of long-term target indicators of the quality of work, which significantly exceed the current ones; development of new measures aimed at increasing the efficiency of work and the quality of services provided; reorientation of corporate culture and mentality [7, p. 374].

Therefore, it can be argued that a strategically oriented enterprise should use the principles, methods and tools of benchmarking to ensure competitiveness and purposeful development. It is necessary to pay attention to the main principles of benchmarking, on which the effectiveness of its implementation depends. This is, firstly, an analogy, that is, all comparative

processes must be similar; secondly, the reliability of information; thirdly, measurement, and comparison of characteristics; and fourthly, mutual consent in the exchange of data between enterprises. During the benchmarking of business activity, it is necessary to rely on such generally accepted principles as 1) quality – continuous work from all aspects and functions of the company's activity; 2) the importance of business processes – for benchmarking, business processes in the organization are much more important than the work of such functional units as the financial department, the planning department, etc.; 3) concentration of attention on business processes, which makes it possible to identify system flaws; 4) the need to take into account the imperfection of the classic TQM (Total Quality Management) model in the process of planning benchmarking activities; 5) the need for systematic external benchmarking [8, p. 90].

In the implementation of benchmarking, six main stages can be distinguished, such as [11, p. 153]: definition of the benchmarking object. At this stage, the company's needs for changes and improvements are established; the efficiency of the enterprise is evaluated; the main operations that affect the result of the enterprise's activity are highlighted and studied, as well as the method of quantitative measurement of characteristics; it is established how deep the benchmarking should be; partner selection based on benchmarking (comparative companies). It is necessary to establish what the benchmarking will be – external or internal; conduct a search for reference enterprises; establish contacts with these organizations; formulate criteria for evaluation and analysis; determination of information gathering methods, and information search. It is necessary to collect information about your own organization and the organizations of benchmarking partners. Both primary and secondary data are used for this. The received information must be thoroughly checked; analysis. The received information is classified and systematized. The method of analysis is chosen. The degree of achievement of the goal and the factors that determine the result are evaluated; implementation. It is necessary to develop,

agree and approve the action plan and the budget of expenses, to determine the executors and those responsible, the procedures of control, evaluation and analysis of the implementation process. Control of the implementation of the action plan must be carried out in such areas as assessment of the achievement of the set goals in accordance with the established criteria; compliance with deadlines and budgets for the implementation of measures; new evaluation of the benchmarking object. Constant comparison of the desired changes and results with the created reference model of your own business organization. On the basis of the received – the creation and maintenance of a system of the continuous improvement of business performance.

Benchmarking should be carried out according to key indicators of competitiveness. At the same time, the level of quality and conformity of products and services to the needs of the market should be considered to be of primary importance for the analysis; effectiveness of product sales methods; effectiveness of product promotion methods; efficiency of use of production potential; efficiency of personnel management; productivity of technology and production processes; efficiency of production organization and enterprise management methods; the level of innovative development of the enterprise, etc.

It is also worth noting that the benchmarking approach can be used by the enterprise both independently and with the involvement of consultants. In world practice, it is believed that the best result of benchmarking is achieved when the company invites a team of consultants to implement the project or to support the project implemented by the company's employees. Engaging consultants is advisable because they bring information and best practices of other enterprises; the consultant can act as a connecting link between the company's employees, its leaders, customers and suppliers; they are objective to internal politics, possess the theoretical foundations of process concepts and practical experience of their application in practice. The positive consequences of using benchmarking are the improvement of one's own business; awareness of the

comparative state of the enterprise; obtaining a strategic advantage; and increasing the level of organizational knowledge about the enterprise under study [7, p. 537].

**Conclusions.** Thus, the problem of increasing enterprise competitiveness requires systematized management solutions. Benchmarking today is an extremely useful tool that allows you to compare performance indicators, makes it possible to understand the weak and strong sides of the company's activity compared to competitors and world leaders in the industry, to establish the main factors of their success and, based on its results, to develop and make appropriate management decisions regarding further sustainable development of the business entity in the conditions of a dynamic external environment. The result of benchmarking at the enterprise is an increase in the efficiency and rationality of business processes; improving productivity and quality of services; increasing competitiveness; increasing the effectiveness of marketing activities; improving the use of potential; improving the quality and management efficiency; faster and optimal management decision-making.

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*Стаття надійшла до редакції 11.10.2022*