

# Benchmarking and Hidden Champion to promote local development

Tools description and their application



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## **Introduction**

The *benchmarking* is a managerial approach that support an entrepreneur to identify, through comparison, company's strength and weakness in order to develop effective and specific improvement plans.

It allows to understand effective good practices implemented in similar companies reaching higher results defined a *hidden champions*. Those practices can inspire the company to implement specific action plans.

## **Scope**

This document is designed to give basic information to the reader regarding this managerial approach, highlighting some of its possible applications in development projects.

## **What you can achieve through the use of Benchmarking's tools**

The using o f Benchmarking tools will aloud you to have in a few minutes, through the generation of a report, not only a check up of your company ( weak and strong points ) but the evolution of it, in order to evaluate if the measure and decisions you are taking regarding your business produce the desired effects.

The possibility to access to the benchmarking tools via internet, de facto, aloud you to require and obtain as many analysis as you need, in a few minutes, without the support of anyone beside you

## **What you can achieve through the use of Hidden Champions description and promotion**

Promoting hidden champions represent the way to inspire other companies towards change. They are small and medium companies obtaining higher performances and adopting replicable good practices. Thank to the benchmarking tools is possible to understand who are this champions and try to understand what practices they have implemented. This champions when described and promoted are a powerful vehicle to inspire other companies to implement effective practices.

## **Organization of the manual**

This manual is organized in themes, each one contemplating a different aspect of the benchmarking and hidden champions in order to give you, at the end, a global approach and vision of it.

## The Definition

“**To benchmark**” means comparing a business to other similar (that is to say, belonging to the same strategic group) and more competitive companies to recognize the best performance standards and identify the most suitable management techniques, in order to adapt its own management strategies and methods to those of the best firms so as to achieve (and even exceed) their results.

- Do you want to improve your economic return?
- Do you want to carry out a global analysis of your company?
- Do you want to improve your competitive capabilities?
- Do you want to increase the competitive advantage in your market?
- Do you want better decision-making capabilities

Benchmarking offers the advantage of **learning from the experience of other companies**, thus avoiding the necessity of reinventing already existing solutions.

It allows getting ideas from the experiences of other businesses, developing customized management techniques and organizational solutions, and designing independent change paths.

Hidden Champions are Small but highly successful companies, concealed behind a curtain of inconspicuousness, invisibility and sometimes secrecy. The first definition is due to Hermann Simon.

In this document we consider an hidden champion as a company with performances upper than the average and adopting high standard practices.

## The Objective

The Benchmarking has a double objective:

- Analysing the problems and, consequently, identifying the causes from which problems themselves arise;
- Managing, that is to say solving, problems and undertaking more appropriate change actions.

Hidden Champions are identified and promoted to be a source of inspiration for other, similar companies so to improve the business development inside of a sector, a cluster or a territorial area.

## The Objects

The Benchmarking can have a wide range of objects: features, performances, perceived quality, costs of products and services can be compared.

In specific

- Methods of execution and performances of all the business activities can be analysed, from the most complex ones, such as strategic planning and the development of new products, to the simplest ones, such as the record of presences and the payment of bills.

- Strategic, organizational and financial structures of companies can be interrelated with one another.
- The entities that can be compared are single companies, groups of companies, business divisions, business units, business functions and departments.

## **The Advantages**

The regular use of Benchmarking favours:

- the analysis of the 'state of health' of the company;
- The analysis of interventions made and the results they are having on the state of health of the company
- the awareness of the competitive level of the company, of the system in which it works and the one of the competitors;
- the identification of the causes generating the gap between the company's situation and that of the best companies;
- the planning and development of change processes;
- the renewal of company culture.

Hidden Champions promotion works as a multiplier of the benchmarking benefits and allow to inspire companies, excellent or not, toward the improvement.

## **History and evolution of the benchmarking**

Always, in many areas, benchmarking has been done unconsciously.

Probably the first application occurred when the second human being on earth has seen the discoverer of the fire replicating the technique as well as the athlete constantly engaged in an auto measurement of its performance compared to that best existing homogeneous creating a simplified process of benchmarking.

In the applying business area, the theoretical application, conscious and scientific is, however, fairly recent. It dates back to 1972 and it was due to a research and consulting services that put forward the need to find effective solutions to the competition that the company had to face, combining the logic of the sector in which it operates, the search for reference models in other sectors / companies that are successful under similar conditions.

In the decade 1976-1986 benchmarking goes through an important phase that transforms it from a simple and effective idea, the best way to learn something is to look at who does well, to a real technical management.

Indeed, in those years, the American company Xerox, to deal with the threat of Japanese competition and understand how they could have lower costs, greater compliance and a high level of service, decided to initiate a process called "competitive benchmarking".

With this project Xerox, going beyond comparisons oriented to products and including the comparisons between internal processes and those of the benchmarking competition leads the benchmarking to mature as a science. The project had so much success in the subsequent years that Xerox extended the use of benchmarking to other business functions: logistics, invoicing, collection of debts, after sales.

Over time, the sophistication of benchmarking has been expanding in building a new generation, that of strategic benchmarking, a systematic process to evaluate alternatives, implement the strategies and improve performance by understanding and adapting successful strategies for success with outside companies with which they cooperate. This approach differs from the benchmarking process for the greater depth of commitment between the companies involved and for the most profound and radical change of business processes, which have not been retouched but simply redesigned.

## **Yesterday and today**

Up until few years ago, benchmarking was a discipline exclusively reserved for large-sized companies. Thanks to the experience and resolution of some International institutes, which in the last decade made continuous experimentations in the field and actuated cooperation with important foreign Universities, this methodology has become a tool accessible to SMEs as well.

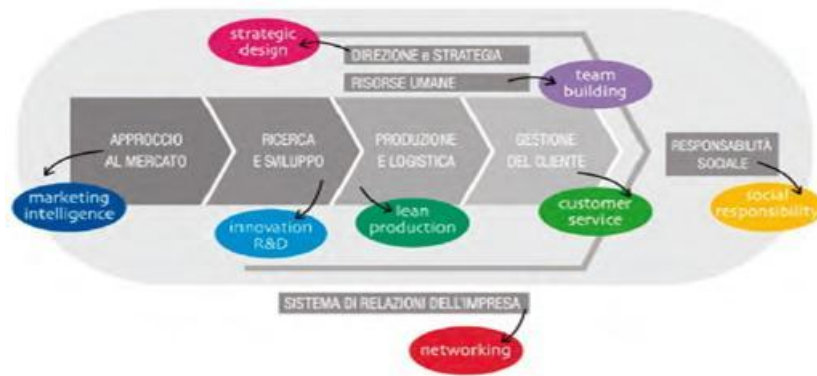
Therefore, every company using it will be able to compare the business with a specific sample selected among the several thousands of analyses included in the database.

## The analysis of each process of the company

The benchmarking approach bases its analysis on the interpretation model of processes.

This model was built according to the logic of flow implying that each single activity is important and contributes to the creation of the overall value of the company.

The chart as follows explores the processes/good practices according to which firms are analysed and allows controlling all the main aspects of the business, taking the system of both internal and external company's relationships into account.



The regular use of highly-effective innovative tools allows the company to improve its managerial practices and to be more competitive in the market.

As a matter of fact, by comparing its own internal processes with the successful practices realized by others, the business can understand its strengths and weaknesses and to adopt a plan of actions aimed at improvement, to encourage and integrate learning and change processes and, at the same time, to promote effectiveness and efficiency of the business processes, ensuring a continuous improvement thanks to the consistent comparison with the outside.

## The Tools

Over years of fields analysis and cooperation with important Institution, specific benchmarking tools designed for small and medium-sized companies has being developed, systems able to provide the most suitable and immediately solutions to achieve practical objectives and to solve criticalities.

The diagnostic tools that you will use work **through Internet** and allow the comparison of a company with a benchmark that can be defined each time according to **dimensional, geographical and sectorial criteria**. Therefore, each company that will use these instruments will be allowed to compare itself with a specific sample selected among the several thousands of analyses included in the database.

Each analysis tool results in the **production of a customized report** providing the strategic positioning of a company in terms of implemented practices and achieved performances.

The Instruments have modular features consisting of a set of questions necessary to gather as much business information as possible.

According to the selected tool, the analysis may privilege:

- the qualitative aspect, which adapts specifically to the analysis of softer characteristics of the company, such as working methods. It is a highly effective way for intervention in very small-sized companies and with little codified information;
- the quantitative aspect that, on the contrary, calculates some specific business indexes starting exactly from quantitative measurements. For example: How many customers do you have? How much did you invest in research? In the last year, what profit did you make? And in the previous year? How many days of absence have you had among your employees?
- Both aspects.

To initiate the required analysis, the company has to be registered in the Portal<sup>1</sup> After the registration, the company will receive an e-mail containing a personal username and a password allowing it to carry out its analyses.

Here follows the 3 Benchmarking tools today available for the company' analysis :

**HEALTH CHECK BENCHMARKING** is the tool for the first check up of the company.

It is a guided path starting from the structured data collection through a self-filling questionnaire and allows a compared analysis of the main business areas

**FRAME** is the tool for the diagnosis of the company. made up of 30 qualitative and quantitative indicators. that allows a deep and complete compared analysis of the main business areas

The surveying of the indicators centres on two criteria: transversality across several sectors and measurability in small-sized companies.

**SMART** is the tool assessing the single business performances in an accurate and detailed way, catching its strong and weak processes through the analysis of a panel that is rich in both qualitative and quantitative indicators.

## **The Diagnostic tools**

### **EASY**

Easy is the simpler tool. It is intended to allow the company to find a quick positioning about 10 key performances indicators compared toward a benchmark.

aree indagate	tu	gli altri	scostamento	
1. innovatività gamma	1	3.0	-2.0	
2. affidabilità prodotto	4	3.7	+0.3	
3. puntualità di consegna	5	3.8	+1.2	
4. abbandoni personale	2	3.4	-1.4	
5. tasso di assenteismo	3	3.5	-0.5	
6. liquidità	3	3.2	-0.2	
7. soddisfazione del cliente	2	3.8	-1.8	
8. trend produttività	4	3.0	+1.0	
9. redditività	1	2.7	-1.7	
10. andamento dei ricavi	n.d.	3.4	n.d.	

The report, supported by specific indication to support the company towards the improvement of the processes in which it proved to be more weak.

## FRAME

For a deeper analysis supported by a facilitator<sup>2</sup> e-simplu.ro offers the Frame tool. It is a diagnostic for a deep qualitative analysis of SMEs that allows understanding the positioning of a business, its weak processes and to have main ideas where specifically act for the improvement.

It is simple to use and is specifically thought to formalize the business performances in small companies. It works indeed also inside of businesses with a low level of formalization.

As a matter of fact, through the use of this tool the results achieved by the company can be assessed and compared with those of other businesses with similar size, activities and location, in order to:

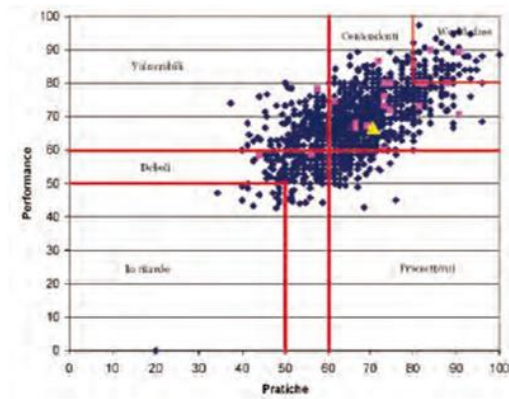
- identify its market positioning;
- make an objective assessment of its core business;
- assess improvements year by year;
- obtain a comparison on a historical basis;
- identify the main intervention areas.

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<sup>2</sup> The facilitator is a the advisor certified to utilize the benchmarking tools. His/her task is to support the owner or the company management to have a correct evaluation of the questions, imputing the data in the web site and, most of all, to analyze the benchmarking report suggesting further opportunities.

# Benchmarking

## Introductory Guide



Frame results in a customized report on the company's data, supported by many specific charts (see the example beside) and a guide to its interpretation showing the market positioning of the company and the identification of the strategic intervention areas.

The report develops the main processes generating value in a business:

- Approach to the market
- Development of innovation
- Organization of production and logistics/service
- Service to customers
- Relationship with the territory
- Human resources
- Planning and monitoring.

All processes are detailed in practices (how the business operate) and performances (which results the company obtains) so to understand not only where the company need to improve but also what implement.

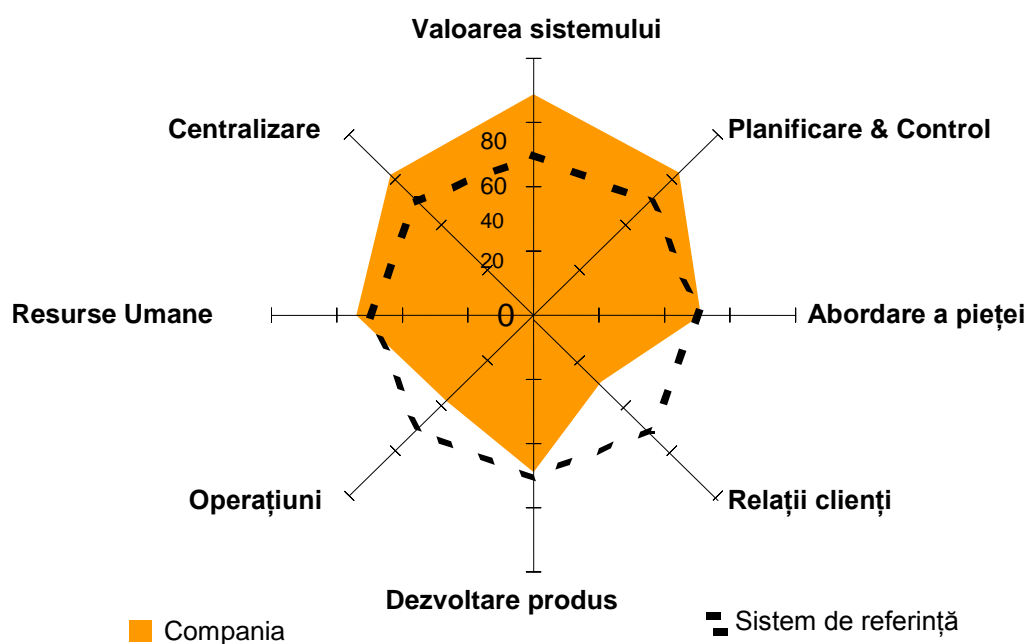
## SMART

It is the diagnostic tool that analyses business performances as a whole, recognizing its strong and weak processes by a deep analysis of qualitative and quantitative indicators.

In order to interpret the company, this tool uses the model of the value chain according to which a successful business is the one where, for all the activities carried on, the added value produced by them flows through the company without interruption, thus creating value for its stakeholders.

The report develops the main processes generating value in a business:

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- Human resources
- Planning and monitoring.



The report, supported by charts, tables and a guide to its interpretation, shows the positioning of the company with respect to the reference benchmark and allows focusing on a supporting action in the most practical way and guiding the company towards the improvement of the processes in which it proved to be more weak.



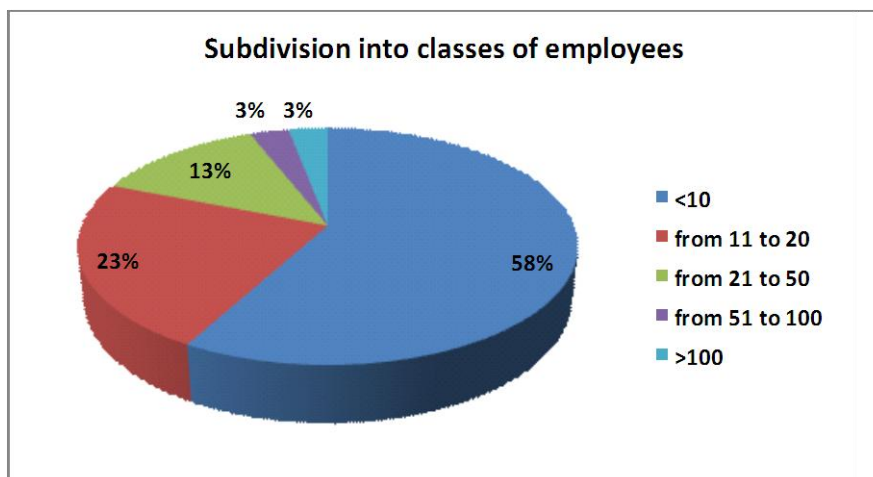
## The Data Base of Benchmarking

The Database, platform of data on which it bases all the benchmarking analysis, plays a strategic role within the ambit of the supplied services, since it provides an actual and reliable database, on which comparison can be built. Today it represents in Europe the largest benchmarking database as to the number of assessed indicators and of analysed and recorded SME companies.

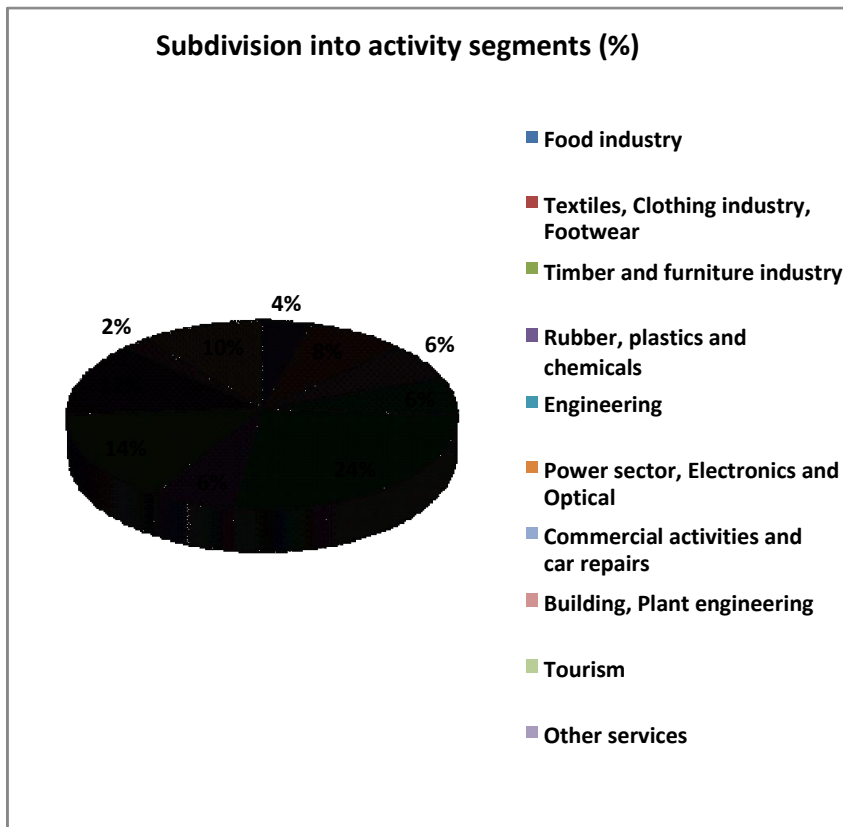
It is managed and implemented according to a protocol ensuring the observance and the protection of the gathered information (Code of Ethics of the Association Benchmarking for Success).

Since the last update made on May 2009, the Database has been including over 14,000 analyses carried out on SMEs distributed at international level. These analyses allow making many parallels and comparisons among companies that can be regularly defined according to **dimensional, geographical and sectorial criteria**.

From the size point of view, the Database represents an effective observatory on SMEs. The strong presence of micro and small-sized companies (94%) can be subdivided into classes of employees as follows:



Within this subdivision, all the activity sectors are represented, with a predominance of engineering companies.



The Database represents an effective tool that SMEs have at their disposal, useful for studying the best method to face new challenges by finding the best solutions for their organization.

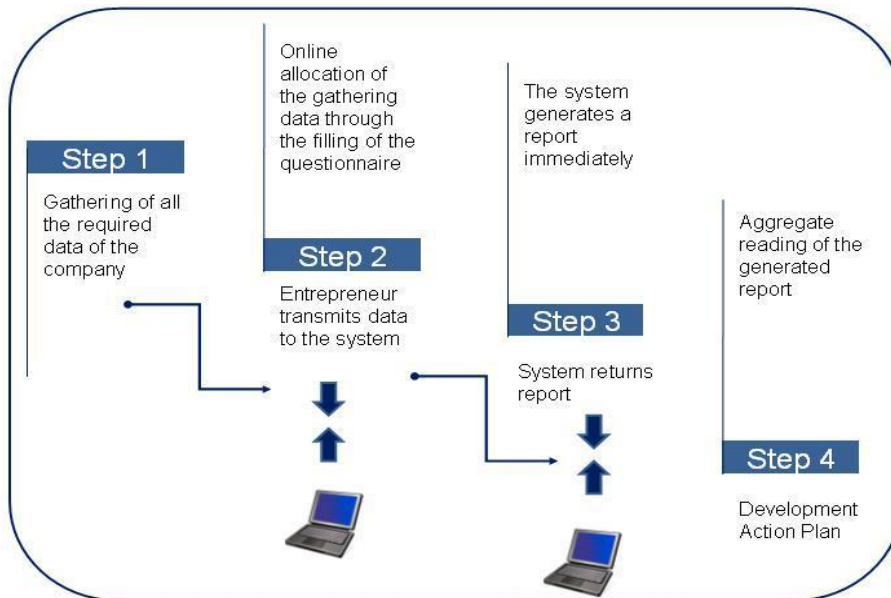
The gained experience and skills developed in using the information resulting from Benchmarking analyses, led the Database to become a point of reference for:

- companies that want to identify the best performance standards;
- consultants who are interested in acquiring a business analysis methodology and innovative tools that are easy to use and able to support companies in the development of managerial and strategic activities;
- bodies, intermediaries and institutions that need an effective support to favour the development of the territories and the local production systems.

## The Supply Path

Diagnostic benchmarking is a guided path that provides 3 simple steps in order to generate the requested report.

- I. Structured data collection within the company;
- II. Online allocation and processing of data, through the comparison with the reference data;
- III. Generation of an analysis report allowing for the identification of the general position with respect to competitors, as well as the identification of the main critical points.



It is a choice of the entrepreneur to be assisted, in the benchmarking analysis, by a Business Advisor that can give a support not only in the gathering of the data and filling of the questionnaire but, mostly, in reading the final report in the way to develop the most efficient action plan.

