

Research Paper

INDUSTRY BEST PRACTICE BENCHMARKING (WITH SPECIAL REFERENCE TO COMPETITIVE BENCHMARKING IN THE AUTOMOBILE INDUSTRY IN AND AROUND PUNE).

By Mrs. Geetha Sivaraman –

Asst. Professor, M.U.C.C.

Pimpri, Pune-411 017

Abstract

The Automobile manufacturers are playing in a highly competitive environment in India. Best practices are being followed by the competing firms to survive in this global competition. They try to achieve benchmarked levels through competitive benchmarking. Competitive benchmarking is not only helpful to bridge the gap in performance but also to become better than the best-in-class. If they follow benchmarking model properly, in addition to their own performance improvement model, they can progress faster and will also be able to survive in this global competitive environment. The Automobile firms try to achieve benchmarked levels through competitive benchmarking. The benchmarking process should be implemented in all firms for sharing information, also to find out the reason for success / failure. The firms compare themselves with other firms and also learn from competition directly or indirectly as the product life cycle is getting shorter now-a-days. They try to adapt to the changing environment to excel in their performance. The SWOT (Strength, Weaknesses, Opportunities and Threats) analysis and critical success factors should be considered while implementing competitive benchmarking.

Background of the Research study

Benchmarking has been known in the developing countries like India for a decade. This concept is already practically and systematically experienced in the developed countries. The reason for this new thought by the experts like Robert C. Camp is due to the sudden change in the Industry scenario of competition. The well known companies which were consistently shining suddenly started falling down in their business results, whereas their competitors started capturing the market. Therefore the companies started comparing their product, process, strategy with their suitable partners. Best practices indicate outstanding business practices which are contributing mainly to excellent improved performances in leading companies. Identifying key success factors help to choose (critical to success) the area in which the organizations have to improve.

“Competitive benchmarking is a comparison against a competitor for the product, service or function of interest”. Competitive benchmarking is done to determine the competitive strength and weaknesses. Benchmarking is finding who is really the best. Companies should understand how strength and weaknesses affect customer satisfaction and profitability. Comparative study may help to identify the weak areas of the benchmarking organisation. The organization can learn and improve through the benchmarking process but it should be continuously reviewed to improve further. The challenge before the Automobile companies is how to compete by framing the suitable marketing strategy. SWOT analysis helps to identify which area of strength leads to competitive advantage and the weaknesses to competitive disadvantage. Benchmarking can be implemented effectively with the help of SWOT analysis.

Significance of the study

Benchmarking finds new ways of implementing Best Practices learned from the same industry or even from other industries in different areas to optimize / maximize quality, save manpower time and cost. This study can reveal whether industries are able to produce exceptional results by implementing Best Practices. The current and future

performance gap should be analyzed to narrow down the negative performance gap. It is possible to reduce it by conscious effort of employees and continuous evaluation / review.

Details of comparative study.

1. Comparative study using key success factors
2. Comparative study using yearly growth production, domestic sales and export for 5 years from 2002-03 to 2006-07.
3. Comparative study using Ratio Analysis

Major findings

The research study reveals the following :-

Total two wheeler sales show increasing trend due to increase in sales of motorcycles. Customers prefer to purchase motorcycles Sale of scooters shows continuous decline due to customer preference for new models with fuel efficient motorcycles

The companies do benchmarking but they have their own method to implement benchmarking. Competitive benchmarking is followed in all the companies mostly indirectly. The Competitors imitate and brings similar models with some modifications at domestic level. The comparative study (analysis) by matching the Key Success Factors and Critical Processes, by giving some weightage, enabled to find out which critical process is having the highest priority for Benchmarking.

The study revealed that the yearly growth in percentage of sales fluctuated due to tough competition in the Automobile industry in India. The major findings are:-

- Ø Passenger cars yearly growth shows less in the year 2004-05 and 2005-06 but again it has picked up during the year 2006-07 due to technological changes, customer preferences, environmental friendly, change in life style etc.
- Ø Utility vehicles yearly growth shows very less in the year 2005-06 and 2006-07.
- Ø Medium & Heavy Commercial Vehicles yearly growth shows less in 2005-06.

Ø Light Commercial Vehicles yearly growth of production and sales shows less in 2005-06, whereas its export shows less in 2002-03 and 2006-07 as compared to other years.
 Ø Multi-Purpose Vehicles shows good growth in 2006-07 – as it is preferred by customers due to multipurpose use coupled with value for money.

Ø Three wheelers passenger carriers yearly growth suffered in 2004-05 but it again started picking up due to demand for the vehicles due to changes in design, reasonable pricing which can be affordable by the Indian consumers.

Ø Three wheelers goods carriers yearly growth is not satisfactory during the years 2005-06 and 2006-07 – it started declining because of the introduction of other types of commercial vehicles entering in the market.

Ø Domestic sales for scooters declined but exports shows satisfactory till 2005-06. However it declined in 2006-07 hence production also decreased due to low demand.

Ø In case of motorcycles, yearly growth in export shows satisfactory results

whereas domestic sales yearly growth is there but not at increasing trend. Hence production also adjusted according to the demand in the market.

Ø Mopeds export is satisfactory till 2005-06 but again it declined due to change in the preferences for customers as the entry of new models attracted them.

Ø Electric two wheelers may enter into the market when the infrastructure facilities are available.

Conclusion

Sales improvement, monitoring customer complaints and competition, new product success rate, processing customer orders and customer service are important points to be considered for Benchmarking. The comparative study enabled to find out which critical process is having the highest priority for Benchmarking. The Key Performance Indicators (Critical to Success) should be taken into consideration, for achieving the objectives of the business. The Best Practices adopted by different firms in the Automobile Industry are similar and they also try to learn from the Competitors the new Best Practices.

It is essential to do benchmarking with the best-in-class to know the performance gap. It should be continuously done because the new performance gap is created as the Leaders in the Industry go ahead and continuously improve themselves. Industries benchmark best practices adopted in other industries or within the same industries and try to adapt if the best practices learnt from competitors are suitable to their processes and their business environment. The reason for benchmarking is to improve the performance of the industry in all areas so that overall performance can be improved simultaneously. Though there are various types of benchmarking, Competitive Benchmarking is necessary to survive in the ever increasing Global Competition. The leader in the industry may not be the leader tomorrow in the same industry due to various best practices and continuous innovations, simplification etc. adopted by the competing firms. Competitive Benchmarking helps the firms in the Automobile Industry to become competitive, by learning the best practices from the Best-in-Class.

The study revealed that there was tremendous demand for road transport hence there is increasing demand for all types of automobiles for more than three decades because of increasing purchasing power of population but at the same time there is tough competition. The nature of competition is pure or differentiated oligopoly. Two wheeler companies

were having 75% market share in the Indian market, in the automobile sector during 2006-07 and 2007-08.

Benchmarking improves overall performance of the organization. By improving the overall performance of the organization, the desired business results can be achieved. Competitive benchmarking helps to reduce the performance gap by identifying the weak areas. The critical success factors, if not considered, may result in failure. Competitive Benchmarking is done against best competition to compare performance and results. What is today 'the best' may not be the best for tomorrow. Best practices are followed in many organizations. Therefore Benchmarking must be done continuously. It is the process of learning, learning the new ways of improving from the benchmarking partner, not just comparison. It is necessary to follow proper benchmarking model to improve and become competitive.

Suggestion

Ø Every firm has its own model for improvement but benchmarking model helps the firm to perform differently not only in knowing / identifying the weak areas but also how to implement them. The success is ensured by following a proper model for Benchmarking.

Ø The firms should also carry out market research to find out customer expectations, brand preference, purchasing power etc.

Ø The infrastructure should be improved in our country for road transport so that the vehicles can ply / run smoothly.

Ø There is scope for automobile market for all types of vehicles in our country. What is important is that the firms should produce quality products which can be long lasting, reliable and satisfactory product performance.

Ø The firms can go for vertical integration (backward/forward) to ensure quality goods and to widen the market. The strong firms can absorb weak firms to develop healthy competition (horizontal integration).

Ø The competing firms learn best practices from the Best-in-Class. They should also know how to adapt if the best practices are suitable to their environment.

Ø The learning organizations can become better than the best-in-class by implementing proper competitive benchmarking model. Because competitive benchmarking is not only helpful to bridge the gap in performance but also to excel in their performance. Firms those who implement benchmarking, progress faster than other firms, as it leads to superior performance.