EFFECT OF BENCHMARKING ON PERFORMANCE: EVIDENCE FROM FREIGHT FORWARDING FIRMS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the candidate's University Supervisor.

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DEDICATION

This study is dedicated to my loving wife Ann and children Stephanie and Ivan, for their support, encouragement and patience during the entire period of my study and continued prayers towards successful completion of this course.

May God bless you all.

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ABSTRACT

The purpose of this study was to establish the effect of benchmarking on performance of freight forwarding firms in Kenya. For the purposes of this study, the researcher employed a descriptive research design. The target population composed of 60 firms currently employed at freight forwarding firms in Nairobi. For convenience, the researcher selected a sample of 30 freight forwarding firms in Kenya using convenience sampling method. The researcher employed the use of survey questionnaire for data collection. Secondary data was also collected for this study. Quantitative data collected was analyzed by the use of descriptive statistics while content analysis was used to data that is qualitative nature.

The study found that way in which benchmarking was being used in freight and forwarding companies was as an incremental continuous improvement tool and for major changes of process re-engineering. The factors enhance benchmarking success freight and forwarding companies include; internal assessment, management commitment, benchmarking limitation, employee participation and role of quality department. The study revealed that operational benchmarking was being used to a very great extent were setting realistic timetables and being composed of interested motivated people, identify targets in advance, understanding the processes behind the data, picking the correct business partners and allies, following proper protocol, Focus on relevant work-group-level issues and being tied to the freight forwarding firm overall strategic objectives and Collecting manageable bodies of data. Benchmarking activities must be specific to the environment and constraints of these organisations if the implementation of the practices identified by such activities is to succeed and result in increased performance.

From the findings the study concludes that benchmarking practices adopted by freight and forwarding companies affect the performance of freight forwarding firms in Kenya. The study concludes that the benchmarking practices adopted by freight forwarding firms in Kenya were operational benchmarking ,strategic benchmarking, industry ,internal benchmarking, process (or generic) benchmarking, futures benchmarking, product benchmarking and financial benchmarking. The study recommends that organization in Kenya must address the obstacle that affects proper implementation of benchmarking practices in Kenya in order for them to improve their performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Benchmarking is the process of identifying, understanding and adapting outstanding practices from within the organization or from other businesses to help improve performance. As the definition suggests, benchmarking is nothing more than establishing points of reference for measuring performance. In a sense, it is determining where you should be, given what others in your industry have achieved (McShane, 1996).

This involves a process of comparing practices and procedures with those of the best to identify ways in which an organization can make improvements. Thus new standards and goals can be set which, in turn, will help better satisfy the customer's requirements for quality, cost, product, and service (Cook, 1995). In this way, organizations can add value to their customers and distinguish themselves from their competitors. Benchmarking is a continuous, systematic process for evaluating the products, services and work processes with those recognized as representing the best practices, for the purpose of organizational improvement (Elmuti & Kathawala, 1998). It involves a systematic effort to learn and incorporate product and process innovations that have proven successful.

An important aspect of continuous improvement is benchmarking - the process of identifying superior performance or practices of other organizations and to internalize such knowledge for competitive advantage (Gani, 2004). The importance of benchmarking is well recognized today in the USA and the successes achieved by firms

such as Xerox are widely publicized (Carr and Smeltzer, 1999). Benchmarking may be considered as a second generation development of TQM.

Many companies must strive to be better, faster, and cheaper than their competitors, for which, benchmarking should be recognized as a catalyst for improvement and innovation. Benchmarking can be said as a management tool for attaining or exceeding the performance goals by learning from best practices and understanding the processes by which they are achieved. The American Productivity and Quality Centre (1993) define benchmarking as the processes from organizations anywhere in the world to help other organizations to improve performance. According to Gani, (2004) benchmarking is about establishing company's objectives using practices of best in class, and as such is an effective performance management instrument. These characteristics need proper communication on the objectives and success of implementation of a benchmarking system relies on employees performing with the view of meeting those objectives In the late 1990s, research based on case study in USA have been reported that all fortune 500 companies were using benchmarking on a regular time basis Kumar & Chandra, (2001).

Other definitions of benchmarking have been given by various scholars, Atkinson and Kaplan, (1998), define benchmarking as studying and adopting the best practice of other companies to improve the firms own performance and establish a point of reference by which other internal performance can be measured. He further defines it as the practice of recognizing and examining the best industrial and commercial practices in an industry and using the knowledge as basis of improvement in all aspects of business.

The term benchmarking was first used by cobblers to measure ones feet for shoes. They would place the foot on a "bench" and mark to make the pattern for the shoes. The mark on the bench would be used as the basis of comparison and the shoe would be the product made exactly to the measure on the bench (Otley, 1987). Consequently benchmarking is a concept that would measure performance using a specific indicator such as cost per unit of measure, productivity per unit of measure, cycle time of x per unit of measure or defects per unit of measure) resulting in a metric of performance that is then compared to others. Benchmarking therefore originated in the manufacturing sector, but soon found applications in, first, private and then public parts of the service sector.

Benchmarking is an activity adopted by corporations to improve their performance, and is an interesting strategy for organisational learning and adjustment (Carr and Smeltzer, 1999). It allows the firm to compare its operational and managerial practices and performance to those of its competitors, or to those of firms which are considered world-class enterprises or the best in their industry (Longbottom, 2000), in order to achieve continuous improvement. Information about practices or performance obtained for other firms is thus useful in developing the benchmarking firm's operational and managerial practices.

Corporate benchmarking has had its roots in earlier management techniques such as inter-firm comparisons, which have long been available in the form of management information on sets of key parameters pooled by local groups of employers. In the earlier times before the industrial revolution, traders would compete in order to provide cheaper and wider range of products. They would compare their current practise with the existing market norms and endeavour to improve.

Today, Benchmarking's popularity has grown. The company has been suggested the important to benchmark the best industrial practice. The ProLogis is world's largest developer in Europe properties sector. The company leases it is industrial facilities to 4,900 customers, including manufacturers, retailers, transportation companies, third party logistics providers and other enterprises with large-scale distribution needs. Leonard Sahling, first vice president of research for ProLogis has reported that benchmarking can lead to significant increases in supply-chain efficiency. Companies that benchmark the performance of their supply chains against other peers in the industry performance typically cut nearly $80 million of operating costs within the first year. He added, the best performers in this area are spending far less on logistics than the median, while their logistics performances are much better than the median. In short, effective benchmarking can provide a huge competitive advantage in the market place EL Amin, (2007).

Brah *et al.* (1999) study revealed that the success of benchmarking was measured by the extent to which practitioners of benchmarking have attained their objectives, justified costs by the benefits attained from benchmarking and their perception of the overall success of the process. They also exposed that the achievement of the benefits of benchmarking are significant and among the respondent indicate the existence of other means of improving their operations such as TQM, reengineering, ISO certification, strategic planning, etc. In order to benchmark effectively, a company needs a strong strategic focus and some flexibility in achieving management's goals.

To effectively implement benchmarking, adequate planning, training, and open interdepartmental communication is needed. Developing and using measures helps to identify the current performance and monitor the direction of changes over a period.

Measures identified during the planning stage of benchmarking may also help to determine the magnitude of the performance gaps and select what is to be benchmarked (Vaziri, 1992; Karlof & Ostblom, 1993).

Benchmarking with time has proven to be a necessity in all parts of the world and in most industries and businesses due to its success in propelling an organisation achieve its objectives. Brah *et al.* (1999) study revealed that the success of benchmarking was measured by the extent to which practitioners of benchmarking have attained their objectives, justified costs by the benefits attained from benchmarking and their perception of the overall success of the process. Besides the manufacturing industry, benchmarking has been practised in other profit making organisations such as the banking industry, logistics industry, human resources practises, hospitals and schools.

However, a poorly executed benchmarking exercise will result in a waste of financial and human resources as well as time. Ineffectively executed benchmarking projects may have tarnished an organization's image (Elmuti & Kathawala, 1998). As highlighted in the earlier section, there were best practices, which would affect the effectiveness of benchmarking.

1.1.1 Measures of Performance

Neely et al. (1995) described performance measurement as the process of quantifying action, where measurement is the process of quantification and action correlates with performance. They further proposed that performance should be defined as the efficiency and effectiveness of action, which leads to the following definitions: Performance measurement is defined as the process of quantifying the efficiency and effectiveness of

action; Performance measurement is defined as metric used to quantify the efficiency and/or effectiveness of an action and Performance Management System (PMS) is defined as a set of metrics used to quantify the efficiency and effectiveness of an action.

Performance measurement has three basic building blocks: the dimensions of performance that the organization is seeking to encourage; the standards to be set and the rewards or penalties associated with achieving performance targets (Otley, 1987). There is widespread recognition that the dimensions of performance are broader than financial performance alone, that financial performance indicators measure and make visible only limited aspects of an organizations performance (Kaplan and Norton, 1992). Measures of performance (MoP) are a trigger to improvement and the reason why many improvement programs fail is the lack of measurement.

1.1.2 Benchmarking and Performance

Benchmarking is the process of identifying, understanding, and adapting outstanding practices from organizations anywhere in the world to help an organization improve its performance. It is an activity that looks outward to find best practice and high performance and then measures actual business operations against those goals (Kumar *et al.*, 2006).

Benchmarking was a valuable tool for setting goals necessary to remain competitive and for learning new ideas (Balm, 1996). Benchmarking helped to increase productivity and individual design, enhanced learning and improved growth potential. In addition, it served as a strategic tool for performance assessment and continuous improvement in

performance (Elmuti and Kathawala, 1997). This has been empirically proven by Voss *et al.* (1997) in their study.

Longbottom, (2000) found that to gain maximum benefits from benchmarking, a company should only conduct a benchmarking exercise after it has attained some level of maturity in the core competency being benchmarked. Clearly, a company would have to have some data about its own process before it could perform a meaningful comparison with another company.

Brah *et al.* (2000) found that organizations viewed benchmarking projects as successful and gave the following derived benefits from them such as improving quality of goods or services, decreasing costs of operations, and improving customer delivery or response time. While, Coopers and Lybrand (1994) cited benchmarking benefits as the ability to set meaningful and realistic targets, improves productivity, helps gain new insights, gives an early warning of competitive disadvantage, and motivates staff by showing what is possible.

1.1.3 Freight Forwarding Firms

These are companies that specialize in international Air Freight (transport, cargo air transport, airplane container, etc.), international sea freight forwarding, road/rail forwarding and operating in Kenya. Nairobi is the main cargo destination in Kenya and the region with about sixty freight forwarding firms in different locations.

In the globalised economy Global freight forwarding has been one of the main benefactors as observed by the upsurge of the revenue and profits in a once conservative and stable business. From small businesses mergers and acquisitions have bore big

companies in the freight forwarding industry. For example MSAS, AEI, Emery, Danzas, ASG, Wilson and Circle were subdued and in their place we have evolved mega carriers such as DHL Global Forwarding, Schenker, UPS Supply Chain Solutions and Kuehne + Nagel. As with the rest of the logistics market, private equity is also starting to play a major role in the sector's development.

A study was conducted at Lintas Freight & Logistics LLC, Dubai U.A.E. with an objective of giving an insight and an evaluation about the performance of the organization in comparison with the industry. The indicators selected for the purpose of the study were ease of service, client handling, customer service, website information, and employee efficiency in general. Other indicators for the freight and warehouse divisions are lead-time, inventory management, product availability; time elapsed in transit, operating cost and customer satisfaction.

Benchmarking has occasionally been misinterpreted and used incorrectly with products or general business comparison. The act and process of gathering facts and information form a company's competitors may bring a wealth of knowledge to the company but should not be confused with benchmarking. In order to have a clear-cut distinction between performance enhancing or evaluation technique and benchmarking, several authors have recommended steps or processes to follow in order to achieve the intended objective.

While there are many variant models for the practical application of benchmarking principles four elements are common (Longbottom, 2000). These are: Planning - investigation, measurement and examination of the strengths and weaknesses of current

processes; Analysis – identifying potential benchmarking partners and then exchanging information, and observing and comparing processes; Implementation – adaptation and modification of processes based on learning from the analysis stage; Review – ongoing review and refinement with the intention of achieving continuous improvements. The freight forwarding firms in Kenya benchmark their operations and most of their activities from other players in the world. Benchmarking play an increasing role in the operations of business in many such organizations in the country. Gathering facts and information form competitors and other players may bring a wealth of knowledge to the firms which may eventually result into better performance. However, some of the benchmarking activities may not result in performance due to failure in the implementation process and lack of strategic fit.

1.2 Statement of the Problem

A properly executed benchmarking exercise can lead to significant changes in an organisation leading to continuous improvement in the areas of flexibility, quality, costs, delivery and customer satisfaction. Voss *et al.* (1997) show a link between use of benchmarking and improved operational and business performance. They also suggest that benchmarking increases the understanding of strengths and weaknesses of a company relative to its competitors and thus leads to the setting of challenging performance goals.

According to Carey (1994, p. 120) benchmarking has many benefits as it is a creative, adaptive, judicious application of the core understandings of what the best practices are for a company or a department within a company. Despite these assertions by researchers

on the effect of benchmarking on performance, none has reviewed its effect on the performance of freight forwarding firms which have a different strategic approach. While the benefits of benchmarking to both large and small firms have been recognized in theory, there have been few empirical studies that have actually demonstrated to freight forwarding firms managers that such an activity could lead their firm to increased performance, and under what conditions this improvement could be obtained. Thus there is a research gap on the effect of benchmarking on the performance of freight forwarding firms.

Locally many studies have been done on benchmarking. E.g. Amolo (2002) studied benchmarking the order delivery process for continuous improvement the case of the Kenyan oil industry, Gitonga (2005) conducted a survey of improvements through benchmarking in the Kenyan construction firms, Namu (2006) researched on benchmarking as a performance improvement tool the case of KPLC, Litunya Ambula (2006) evaluated benchmarking & performance in public secondary schools in Nairobi Province, Magutu (2006) conducted a survey of benchmarking practices in higher education in Kenya the case of public universities, Kombo (2007) did a survey of the extent of implementation of benchmarking practices in the manufacturing sector in Kenya while Victor Tuitoek (2007) studied benchmarking health, safety & environmental performance measurement practices in the oil industry in Kenya. To the best of the researcher's knowledge, no study has been done on the effect of benchmarking on performance. Thus, there exists a knowledge gap to be filled on the effect of benchmarking on the performance of companies in Kenya. The study therefore seeks to

fill this knowledge gap by investigating the effect of effect of benchmarking on performance of freight forwarding firms in Kenya.

1.3 Objectives of the Study

The general objective of the study was to establish the effect of benchmarking on performance of freight forwarding firms in Kenya.

1.3.1 Specific Objectives

The specific objectives of this study are as follows:

i. To determine the relationship between benchmarking and performance of freight forwarding firms in Kenya.

ii. To examine the benchmarking practices adopted by freight forwarding firms in Kenya.

1.4 Importance of the Study

The study is invaluable to the freight forwarding firms management in that it provide an insight into the various effects of benchmarking on their business practices and ultimately on freight forwarding firms performance.

The study may also be useful to the Government in policymaking regarding taxation and other regulatory requirements of freight forwarding firms in the country.

In the development of Government policy papers, the role of the financial sector greatly needs the effective participation of freight forwarding firms. The policy maker may be able to know how well to incorporate the sector and how effectively to ensure it's full participation.

The academicians may be furnished with relevant information regarding effects of benchmarking on the business performance and the study contribute to the general body of knowledge and form a basis for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same study of benchmarking. The specific areas covered here are concept of benchmarking, models of benchmarking, benchmarking as used in public and private organizations, benchmarking as a performance management tool, success factors for benchmarking, performance measurement, benchmarking and company performance, barriers to successful benchmarking, empirical review and conclusion.

2.2 Concept of Benchmarking

Although the use of comparative data has been used for years in some industries, including higher education, benchmarking as defined today was developed in the early 1980s at the Xerox Corporation in response to increased competition and a rapidly declining market (Camp 1989). The strategy of benchmarking is important both conceptually and practically, and is being used for improving administrative processes as well as instructional models at colleges and universities by examining processes and models at other schools and adapting their techniques and approaches (Chaffee & Sherr 1992; Clark 1993).

More concisely, benchmarking is an ongoing, systematic process for measuring and comparing the work processes of one organization to those of another, by bringing an external focus to internal activities, functions, or operations (Kempner 1993). The goal of benchmarking is to provide key personnel, in charge of processes, with an external

standard for measuring the quality and cost of internal activities, and to help identify where opportunities for improvement may reside. Benchmarking is analogous to the human learning process, and it has been described as a method of teaching an institution how to improve (Leibfried & McNair 1992). As with other quality concepts, benchmarking should be integrated into the fundamental operations throughout the organization and be an ongoing process that analyzes the data collected longitudinally.

Definitions of benchmarking vary. Key themes include measurement, comparison, identification of best practices, implementation and improvement. One of the most commonly quoted definitions is "Benchmarking is the search for the best industry practices which will lead to exceptional performance through the implementation of these best practices". There are plenty of definitions available in the literature and according to Nandi and Banwet (2000), Spendolini has found out 49 definitions for benchmarking. Maire *et al.* (2005) have proposed that the multiple definitions which were proposed express various stages in the evolution of benchmarking and based on the definitions they have concluded that benchmarking passed four important stages of evolution. During the evolution of benchmarking, some of noted definitions were given by Vaziri (1992), International Benchmarking Clearing House Design Committee (Dervitsiotis (2000), Freytag and Hollensen (2001), etc. to name a few. A latest definition of benchmarking states that: It is the process of identifying, understanding, and adapting outstanding practices from organizations anywhere in the world to help an organization improve its performance. It is an activity that looks outward to find best practice and high performance and then measures actual business operations against those goals (Kumar *et al.*, 2006).

The term benchmarking comes from surveying where it was used to denote a notch or mark representing a given altitude and against which other heights could be calibrated or 'benchmarked', since then it has come to mean any standard against which something is compared; and some of leading exponents in business include Xerox and general electric (Yasin ,2002).in business terms there are numerous definitions of benchmarking, but essentially it involves learning, sharing information and adopting best practices to bring about step changes in performance.

Watson (1993) defines benchmarking as 'a continuous search for and application of significantly better practices that lead to superior competitive performance'. It is an essential focus on internal activities, functions or operations in order to achieve continuous improvement (McNair and Leibfried, 1992). It can also be defined as a process of improving performance by continuously identifying, understanding, and adapting outstanding practices and processes found inside and outside the organisation and implementing the results (American Productivity and Quality Centre, 1997). Benchmarking is a continuous process of measuring products, services and practices against the toughest competitors or those companies recognised as industry leaders (best in class)'.

Currently, the focus of benchmarking literature has shifted and addresses issues on improving the benchmarking process, i.e. it focuses on in-depth study of benchmarking to identify the missing links. Dattakumar and Jagadeesh (2003) supported this fact and according to them, "it can be said that the benchmarking technique has seen a steady growth and appears to be heading towards maturity level, considering the gamut of publications". For example, Dervitsiotis (2000) has discussed about how benchmarking

has serious limitations if it has to be applied in organization under a paradigm shift (transition of an established organization from the present to the future competitive environment). Similarly Ungan (2004) said that although many companies are involved in benchmarking, adoption of best practices is not as high as might be expected. Hence, he has studied about the factors that have an impact on the adoption decision of manufacturing best practices. Anderson and McAdam (2004) discussed that traditionally, benchmarking has occurred at the output stage of an organization, which is more downstream, based on the measurement of lag benchmarks of organizational performance.

Benchmarking can be a major investment. It is portrayed as both resource and time intensive and hence should be done meticulously. Hence, articles in the past were more focused on organisational pre-requisites and criteria for successful benchmarking, which include: Focus around customers, employers and continuous improvement. Strategic focus and flexibility, management support, openness to change, willingness to share information, etc. (Elmuti and Kathawala, 1997). Need for good communication across the organisation, process understanding and commitment.

2.3 Models of Benchmarking

The process of benchmarking has passed from a "continuous and systematic process of evaluation of the products, services" to a "continuous process of identification, learning and implementation of best practices in order to obtain competitive advantages, whether internal, external or generic". Elmuti and Kathawala (1997) have recommended that the benchmarking process should provide the basic framework for action, with flexibility for

modification to meet individual needs. The model chosen by the organisation should be clear and basic, emphasising logical planning and organisation and establishing a protocol of behaviour and outcomes. The purpose of the benchmarking process models is to describe the steps that should be carried out while performing benchmarking. Although the core of different benchmarking approaches is similar, most of the authors have tailored their methodology or models based on their own experience and practices. According to Bhutta and Huq (1999), benchmarking can be carried out in many steps; some companies have used up to 33 steps while others have used only four. Thus, in addition to the Xerox pioneering ten-step benchmarking process, there is Filer *et al.* (1988) seven-step process, Spendolini's (1992) five-step process, IBM five phase/14-step process (Eyrich, 1991), Alcoa's six-step benchmarking, AT&T's 12-step benchmarking process (Bemowski, 1991) and many academicians too have proposed their own models, which were even later modified and adapted for different benchmarking situations. For example, Boxwell (1994) has suggested an eight-step benchmarking process, which has been used by Nath and Mrinalini (1995) to benchmark R&D Organizations. Sole and Bist (1995) has modified the Spendolini's five-step process by adding one more step and emphasized that benchmarking assumes continual improvement as the goal of all corporations using the process and hence ensured that their model is circular. This model was used to benchmark the technical-writing departments producing sets of manuals for a product that runs on a variety of operating systems.

Similarly, Anderson and Moen (1999) have identified 60 different existing models developed and proposed by various academics, researchers, consultants and experts in the field, while he was designing a new model – the benchmarking wheel. In this paper, it

would be impractical to cover all the available models, however, as far as possible the models that are presented in this paper are the ones, which form the representative samples of the most common, relevant and widely published models in literature. Deros *et al.* (2006) have reviewed some of the benchmarking frameworks and have classified the same into the following – academic/research-based models and consultant/expert-based models. The same categorization scheme has been extended further by including one more type called industry-based models.

2.3.1 Economic Benchmarking Theory

The existence of market forces implies that consumers can first compare the attributes (such as quality and price) of the products from different suppliers and then choose the supplier that best suits their preferences. Since the survival of suppliers who face limited demand is threatened, this mechanism stimulates poorly performing suppliers to operate more effectively and efficiently.

Moreover, also other suppliers – whose current performances are not lagging behind – have an incentive to further improve their effectiveness and efficiency, because a slower pace of improvement as compared to their competitors may endanger their future survival. So, economic reasoning presupposes that all organizations that are subject to competition will improve performance. As a result, the average sector performance improves due to the presence of market forces. However, the incentive to improve will be stronger for poorly performing organizations, because they are faced with a more severe threat to their survival.

Furthermore, organizations that operate under fully competitive circumstances have to adjust their product attributes to the dictates of the market. When facing less fierce competition, however, organizations have some room to stand out among their competitors. Still, no matter how strong the competition is, organizations always focus their attention on the things their competitors do or do not do. In other words, economic theory presupposes that organizations show a certain degree of conformist behaviour. It is likely that this type of behaviour reduces performance differences between organizations.

2.3.2 Benchmarking Theory

Cook and Macauley, (1996), structure benchmarks into three components: Motivating comparison; Task sample, Performance measures. The theory also identifies seven requirements a benchmark needs to meet to be successful. Accessibility - the benchmark shall be publicly available in the web, which includes both the task sample and the reported experimental results. The benchmark shall also be easy to understand and easy to use by parties having different levels of expertise in empirical studies (Bowerman and Ball 2000). Affordability - the cost of using the benchmark, including the cost of human efforts and of software and hardware needed to collect the measurements, shall be in proportion to the required benefits. Clarity - the specification of the benchmark shall be concise and precise; it shall not leave gaps for misinterpretation or exploitations of ambiguities.

Relevance - the task sample represented in the benchmark shall have a general scope and be representative of the domain of interest. Solvability - when a tool or a technique is applied to the benchmark, it shall be possible to complete the task sample and conduct the

required performance measurements. Portability - the benchmark shall be impartial in the sense that it does not favour one tool or technique over another. It shall be abstract enough to be portable to different tools and techniques, or alternatively it has to be implemented several times to reflect different intentions. Scalability - the task sample shall vary in such a way that it is applicable for tools and techniques of different levels of maturity (Chase, 1997).

2.3.3 Neo-institutional Benchmarking Theory

Neo-institutional reasoning is chosen because of its focus on effectiveness and efficiency, which are closely related to the performance improvement goal of benchmarking. Institutional reasoning is used, because public sector organizations are – generally speaking – strongly embedded in regulations, values and traditions (Bruder and Gray 1994).

Both economic and institutional reasoning view benchmarking as a mechanism for economic legitimacy (Eisenhardt, 1989). The latter, however, also pays attention to its impact on the social legitimacy of organizations. The two theoretical angles also diverge in another important respect. Whereas economic reasoning exclusively focuses on the ultimate outcomes of benchmarking, in terms of changes in performance, institutional reasoning also deals with the motivations and processes that underlie benchmarking. This relates to, for instance, the willingness of organizations to participate in a benchmarking project and to take performance improvement actions based on benchmarking information. The two theoretical angles will introduce similar as well as complementary

explanations for benchmarking in the public sector, and will result in a comprehensive and integrated public sector benchmarking theory.

2.4 Benchmarking as Used in Public and Private Organizations

Empirical academic research into the nature and prevalence of best-practice benchmarking activities lagged somewhat behind its advocacy in the practitioner literature and adoption by organizations. For some organizations, benchmarking has become routine and is seen as an integral part of 'the way we do things here'. However, Holloway et al. (1999) reported that many organizations were still actively considering introducing benchmarking or had only recently commenced its introduction. This was supported by surveys in the UK and Europe Cook and Macauley, (1996); Coopers & Lybrand, (1994); Coopers & Lybrand Europe, (1994); Hinton et al., 2000; Partnership Sourcing, (1997). More recently, in an international survey Jarrar and Zairi, (2000, 2001) report that benchmarking was still being adopted by a growing number of companies with no sign of a downturn. The ever-growing literature on benchmarking indicates a wide spread of benchmarking applications across geographical and sectoral borders. It is forecasted that such momentum will grow in the future as benchmarking becomes a "way organizations do business"' (2001, 912).

2.5 Benchmarking as a Performance Management Tool

Benchmarking is often only one of several performance management tools used by managers (especially in larger organizations) either in series or in parallel (Berry et al. 2005); Holloway et al. (1999)). It is perhaps unfair to accuse managers of merely jumping on the latest and wagon, however, as benchmarking is readily integrated within an overall

system for performance management, playing to its strengths and recognizing its limitations.

This is supported by the findings by Chase (1997), where benchmarking was being used to improve the value of products and services to the customer, being most effective where total quality management t (TQM) and self of the Best Practice Club's survey of member organizations assessment using the European Foundation for Quality Management's Business. Excellence Model (EFQM 1993) was already established.

2.5.1 Benchmarking procedures

There is no single benchmarking process that has been universally adopted. The wide appeal and acceptance of benchmarking has led to various benchmarking methodologies emerging. The seminal book on benchmarking is Boxwell's Benchmarking for Competitive Advantage published by McGraw-Hill (1994). It has withstood the test of time and is still a relevant read.

The 12 stage methodology consisted of 1. Select subject ahead 2. Define the process 3. Identify potential partners 4. Identify data sources 5. Collect data and select partners 6. Determine the gap 7. Establish process differences 8. Target future performance 9. Communicate 10. Adjust goal 11. Implement 12. Review/recalibrate.

Camp, R. (1989). The search for industry best practices that lead 2 superior performance. Productivity Press. Benchmarking procedures can be condensed into four steps: planning the study, conducting the research, analyzing the data, and adapting the findings to the home institution that is conducting the study. The first step involves selecting and defining the administrative or teaching process(es) to be studied, identifying how the

process will be measured, and deciding which other institutions to measure against. Second, benchmarking process data is collected using primary and/or secondary research about the colleges, universities, or other organizations being studied. The third step consists of analyzing the data gathered to calculate the research findings and to develop recommendations. At this point, the differences or gaps in performance between the institutions being benchmarked help to identify the process enablers that equip the leaders in their high performance. Adaption of these enablers for improvement is the fourth step in the first iteration of a benchmarking cycle, and the primary goal of the project.

2.6 Types of Benchmarking

A review of the benchmarking literature shows that there are primarily four kinds of benchmarking: internal, competitive, functional/industry, and generic or best-in-class. Internal benchmarking can be conducted at large, decentralized institutions where there are several departments or units that conduct similar processes. The more common competitive benchmarking analyzes processes with peer institutions that are competing in similar markets. Functional or industry benchmarking is similar to competitive benchmarking, except that the group of competitors is larger and more broadly defined (Rush 1994). Generic or best-in-class uses the broadest application of data collection from different industries to find the best operations practices available. The selection of the benchmarking type depends on the process(es) being analyzed, the availability of data, and the available expertise at the institution.

Elmuti and Kathawala (1997) had identified four types of benchmarking which consisted of internal benchmarking, competitive benchmarking, functional or industry

benchmarking, and process or generic benchmarking. It was obvious that many types of benchmarking had emerged. Kumar and Chandra (2001) suggested that the benchmarking procedure and the type of benchmarking should be chosen and used with caution in order to acquire desired results. In the similar vein, Bhutta and Huq (1999) argued that it was meaningless to compare strategy at internal level but it provided many avenues for improvement when comparisons were made between the competitors. Ahmed and Rafiq (1998) recommended that organization should use integrated benchmarking because it was not necessary to utilize only any single one tool but to dovetail a range of techniques, as they could often helped to address different sets or sub-areas for improvement.

Therefore, benchmarking classifications were based on the type of partner, as Camp (1995) provided this typology of benchmarking classifications: *Internal benchmarking*. A comparison among similar operations within one's own organization. This is a starting point for organizations, since organizations must understand their own products, services or processes before they can be compared to other companies. Internal benchmarking activity establishes operating standards within organizations (Spendolini, 1992). *Competitive benchmarking*. A comparison with the best of the direct competitors. This activity follows an internal benchmarking activity, since the internal information must be gathered and analyzed before it can be compared to external data (Camp, 1989). *Functional benchmarking*. A comparison of methods with those of companies with similar processes in the same function outside one's industry. *Generic benchmarking*. A comparison of work processes with others who have innovative, exemplar work processes. This activity can be used across dissimilar organizations. It is thought to be

extremely effective and difficult to implement. It requires a broad conceptualizing of the entire process and careful understanding of the procedures (Elmuti and Kathawala, 1997).

2.7 Success Factors for Benchmarking

A closer study to the benchmarking adoption was Deou (1998), who had looked into the perceptions and success factors for managing benchmarking process.

2.7.1 Top Management Commitment

Top management commitment was one of the most important factors for any management practice adoption and many researchers were undoubtedly recognized this factor (Sohail and Teo, 2003). Among the researchers were Kasul and Motwani (1995) who had proposed a set of organizational requirements for benchmarking implementation, which outlined that top management commitment was one of the main requirements.

Similarly, Ruggieri and Merli (1998) proved that top management commitment appeared to constitute the fundamental element for benchmarking successful application. Apart from that, Woon (2001) conducted a comparative study for benchmarking level among different level of benchmarking maturity showed that there was an association between benchmarking maturity and business performance. benchmarking maturity grids used was highly related to management and resources.

2.7.2 Internal assessment

Internal assessment of an organization was the focus of looking into an organization's culture, training and internal communication level. Dale (1996) stressed that it was

important for organization to recognize the characteristics of its status to the management of quality. As pointed out in Brah *et al.*'s (2000) study, internal assessment was one of the factor that highly contributed to the attainment of benefits of benchmarking.

In term of culture, Jones (2000) had built a set of cultural principles on which a firm needs to act if it wished to move towards sustainability goals. This study had revealed that cultural differences would affect the effectiveness of achieving the organizational goals and objectives. Apart from this, Pun (2001) had also found out that the successful adoption of benchmarking practices lied largely on the management of cultural dynamics and organizational complexities in Chinese enterprises. Waters (2004) argued that culture affects the strategic management process, from environmental analysis and goal-setting to strategy formulation, implementation, and control. It was especially important because of its ability to influence individual and organizational goals and performance.

As to training, Agus (2001) found that training was one of the major factor that affected the benchmarking implementation in Malaysia manufacturing industry. Practically, Sun and Cheng's (2002) research also indicated that most companies placed emphasis on training in practicing benchmarking.

In studying the benchmarking for strategic manufacturing management, Sweeney (1994) showed that 70 percent of the firms studied needed a better understanding of their own processes before they could benefit from benchmarking with other organizations. Similarly, true knowledge and understanding of the operations with a company was noted as precondition of benchmarking (Brah *et al.*, 2000).

2.7.3 Employee Participation

Arthur (1994) highlighted that the organization with commitment human resources system, which increased employee participation at work would obtain better organizational performance. This was supported by Cooke (1994) who showed that effect of employee participation significantly influence the firm performance. In addition, considerable improvement in morale and performance were also made possible if employees were allowed to decide on the performance measures, which drive and direct their own continuous improvement activities (Daniels and Burns, 1997). Therefore, effective employee involvement practices could bring along attainable employee satisfaction, quality improvement and productivity enhancement in manufacturing enterprises (Pun *et al.*, 2001).

2.7.4 Benchmarking Limitation

Henczel (2002) stated that benchmarking requires a significant commitment of resources such as time, people and money, etc. without any guarantee that there will be a cost benefit. This finding had supported Cassell *et al.* (2001) that most companies chose not to benchmark due to the lack of time and resources. Other limitation were difficulty in finding partners (Holloway *et al.*, 1999), misperception of the need to benchmark, failure to link benchmarking to competitive priorities, lack of understanding of benchmarking concept (Brah *et al.* 2000) and difficulty to benchmark tactit factor such as skills and services (Freytag and Hollensen, 2001).

2.7.5 Role of Quality Department

In many organizations, the quality department might pursue most of the quality improvement projects and may play a vital role in selecting and introducing quality improvement techniques. This factor was supported by Antony *et al.* (2002) who had identified the role of quality department as one of the seven critical success factors for benchmarking implementation. Findings from Lee (2004) revealed that activeness of quality department is a critical element in implementing benchmarking for any organization.

2.8 Performance Measurement

Whereas the performance measurement concept is deeply rooted in the context of manufacturing, it has to some extent been neglected in service management (Adam and Cravesen, 1996; Adam et al, 1995). However the importance of performance measurement in service industries is widely accepted in literature (Wilson, 1988; Gummesson, 1993 Van Biena and Greenwald, 1997).

Performance measurement systems are designed to monitor the implementation of organizations plans and determine when the plans are unsuccessful and how to improve them (Atkinson et al, 1997). They are used to focus attention on the organizations objectives, to measure and report performance and to understand how process performance affects organizational learning (Atkinson et al, 1997). Identifying operational problems, which can be solved by adjusting existing processes, and indicating more fundamental problems, which require an adjustment to strategies of the organization, are further uses of performance measurement (Argyris, 1997).

Performance measurement can also be referred to as monitoring and evaluation. Monitoring is aimed at ensuring that the activities of the project are being undertaken on schedule to facilitate implementation as specified in the project design. Any constraints in operationalising the design can be quickly detected and corrective action taken. Evaluation involves a systematic review or examination of the elements of success and failure in the project experience during the project life to learn how better to plan the project in future. This implies that evaluation is a continuous exercise during the project life and is very related to project monitoring. Monitoring provides the data on which the evaluation is based (Mbeche,2000).

While accounting systems are used to measure performance because they are considered to be reliable and consistent and because they mesh with the primary objective of creating profits, there is a growing concern that concentration on financial measures is inadequate for strategic decision making and indeed for full internal management and control (Atkinson et al., 1997). Long-term survival is linked to organizations chosen strategy, and the strategy determines what must be measured. Measuring only short-term financial results can have dysfunctional consequences to its long-term survival (Brignal, 1993). Brignal indicates how measures across six dimensions related to strategy over an extended period were needed to implement strategy in a local government child-care organization.

Government performance needs to measure "economy, efficiency and effectiveness" (Palmer, 1993). Economy is defined as acquiring resources in appropriate quantity and at lease cost. Efficiency is defined as maximizing output for a given set of inputs for a required output. Together, economy and efficiency are consistent with notions of

financial accountability in the public sector. Economy and efficiency are usually measured in financial terms, and data such as costs, volume of service and productivity are relatively simple to measure (Palmer, 1993). Measuring economy and efficiency is consistent with Fitzgerald et al.'s (1991) and Kaplan and Norton's (1992) categories of resource utilization and financial performance. Effectiveness is defined as the extent to which the defined task has been accomplished (Palmer, 1993; Jackson and Palmer, 1998).

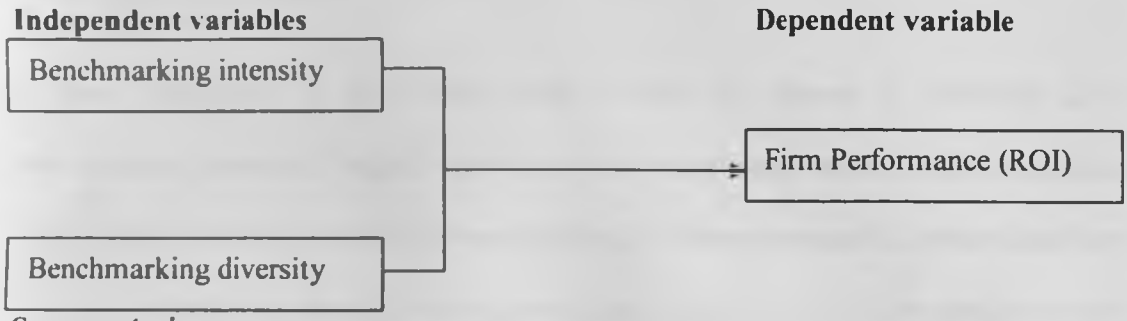
Notions of public sector accountability became widely used in the 1990's, with formal systems of accountability being built into Legislation, rules and regulations for government bodies (Cochrane, 1993). According to Mburugu (2005), the rationale of performance contracts in the public sector in Kenya is to improve on performance that has been consistently poor due to poor management, excessive regulation and controls, political interference, brain drain, multiplicity of principles and bloated staff levels.

2.9 Benchmarking and Company Performance

According to Kempner (1993), the goal of benchmarking is to provide key personnel in charge of processes with an external standard for measuring the quality and cost of internal activities, and to help identify where opportunities for improvement might reside. Benchmarking helps organizations to focus on the external environment and to improve process efficiency. Benchmarking is therefore a positive, practical process to change operations in a structured fashion to achieve superior performance (Camp, 1998).

The relationship between benchmarking and company performance is depicted in the theoretical framework below.

Figure 2.1: Theoretical framework linking benchmarking and performance



Source: *Author*

The present study furthers the quest for understanding of relationship between benchmarking and performance by examining whether benchmarking diversity (the number of main benchmarking types adopted) and benchmarking intensity (the level to which benchmarking practices are implemented) influences firm performance. Hitherto, benchmarking has been seen as a univariate construct, but the present study divides it into two.

For instance, Madu and Kuei (1998) use data from an empirical survey and data envelopment analysis to demonstrate how management can identify companies to benchmark on quality instruments where they may be currently inefficient. Benchmarking can lead to broad improvements in strategic thinking and the capacity for change (Drew, 1997). Benchmarks serve to convert strategies into tactics and, through alignment and linkage, into action.

In a study done by Holloway and Francis (1998) it was found that respondents regarded the main benefit of benchmarking as establishing how the company is doing in

comparison with similar companies – the implication being that moving up a league table was a valued end in itself.

A basic assumption in the current study is that the success or otherwise of a benchmarking exercise is largely determined by the motivating reasons or driving forces. One of the main driving forces for benchmarking is intense competition which leads to a search for excellence, especially among competing companies, in order to become or stay competitive in the marketplace (Bagchi, 1996). Often, benchmarking starts as an extension of an existing quality management programme. The quest for continuous improvement inevitably leads to comparisons with the competition and to benchmarking.

Understanding benchmarking adoption has been a topic of interest to companies and researchers, as benchmarking has been recognized as a process of identifying the highest standards of excellence for products, services, or processes, and then making the necessary improvements to reach those standards (Bhutta and Huq, 1999). Fernandez *et al.* (2001) further extended that benchmarking was a process that facilitates learning and understanding of the organization and its operations. It enabled organizations to identify the key processes that need improvement, and to search for applicable solutions from the best in class. Without accurate and timely data and an understanding of how the data is used to compile the benchmark statistics, there will be little understanding of what is required to improve the maintenance process. And this is true whatever process is benchmarked.

When partnering with companies considered to be the best in a certain aspect of a competency, it is also important to have an example of an internal best practice to share

with them. Benchmarking requires a true partnership, which includes *mutual* benefits. If you are only looking and asking during benchmarking visits--with no sharing--what is the benefit to the partners? The final step to ensure benefits from benchmarking is to use the knowledge gained to make changes in the competency benchmarked. The knowledge gained should be detailed enough to develop a cost/benefit analysis for any recommended changes.

From the above literature, it was concluded that past authors have considered benchmarking to be a unidemensional construct. However, their findings indicate a possibility of dividing benchmaking into two main constructs, namely intensity and diversity. The past studies have established the prerequisites for benchmarking processes and to some extent attempted to link benchmarking to performance. However, none of the studies have looked at benchmarking as a multivariate construct. The present study will thus advance the works of past authors by examining the relationship between benchmarking (as a two dimensional construct) and firm performance using ROI.

2.10 Barriers to Successful Benchmarking

Although benchmarking had been seen as a useful technique for improvement, several researchers had illustrated some pitfalls of benchmarking if it was not done correctly. In the study of why British companies did not carry out effective benchmarking, Davies and Kochhar (2002) pointed out that lack of use of benchmarking metrics, lack of implementation of best practices, no formal benchmarking strategy, checklist or definition, and no feedback results into business plan target were among the main factors of benchmarking failures. Freytag and Hollensen (2001) highlighted that sometimes

companies too focused on data rather than the actual process, lost focus on customer and employees, over-reliance on quantitative data, perceived benchmarking as a one-time project and the narrow scope of companies studies would eventually make benchmarking ineffective. In addition, improper approach in calculating the performance index and the concept of comparing "apples to oranges" had to be avoided or else customer satisfaction might actually decline due to gaming and poor morale among employees (Maleyeff, 2003).

DeToro (1995) lists the commonly reported pitfalls as lack of adequate planning, establishing inappropriate performance measures, appointing inappropriate personnel to the benchmarking team, lack of depth in the benchmarking studies, inappropriate or inaccurate data gathering methods, failure to plan for implementation, failure to adapt the benchmarking partner's process to ones' organisational culture, and failing to involve the employees in decision making about benchmarking and its implementation. However, the past research did not examine the extent to which these pitfalls contribute to benchmarking failures.

In this study, we examine the strength of the relationship between these pitfalls and the outcome of benchmarking.

2.11 Empirical Review

Gathering intelligence about competitors is not a new phenomenon, but its formal and widespread use, as a managerial tool is relatively recent. Victor Tuitoek (2007) studied benchmarking health, safety & environmental performance measurement practices in the oil industry in Kenya and found that Benchmarking was a valuable tool for setting goals

necessary to remain competitive and for learning new ideas. Litunya Ambula (2006) evaluated benchmarking & performance in public secondary schools in Nairobi Province. From the study, it was found that benchmarking served as a strategic tool for performance assessment and continuous improvement in performance. Benchmarking also helped to increase productivity and individual design, enhanced learning and improved growth potential.

Another study by Magutu (2006) on benchmarking practices in higher education in Kenya the case of public universities established that benchmarking was employed in improving quality of goods or services, decreasing costs of operations, and improving customer delivery or response time at the University. Amolo (2002) in a study on benchmarking the order delivery process for continuous improvement the case of the Kenyan oil industry established that the strategy gives an organization an ability to set meaningful and realistic targets, improves productivity, helps gain new insights, gives an early warning of competitive disadvantage, and motivates staff by showing what is possible. A study by Gitonga (2005) on improvements through benchmarking in the Kenyan construction firms found that benchmarking can lead to broad improvements in strategic thinking and the capacity for change.

In another study, Namu (2006) researched on benchmarking as a performance improvement tool the case of KPLC and found that benchmarking helps the organizations to focus on the external environment and to improve process efficiency. Elmuti and Kathawala (1997, p. 14) were of the opinion that benchmarking provides the following for a company: *a performance assessment tool* – companies know where they stand in relation to other companies; *an enhanced performance tool* – benchmarking also allows

companies to learn new and innovative approaches, and provides a basis for learning; *a growth potential tool* –benchmarking can cause a needed change in a company's culture involving searching inside the company for growth; *job satisfaction tool* –because benchmarking is growing and changing so rapidly, benchmarkers have bonded together and developed networks to share methods, successes, and failures with each other.

Pryor and Katz (1993) attribute the dramatic improvement in the performance of Xerox (credited with initiating the practice of competitive benchmarking), Ford, and Motorola and many others, in part to benchmarking. Elmuti (1998) reports that more than 70 percent of *Fortune* 500 companies in the USA use benchmarking on a regular basis. Bendell *et al.* (1997) report that 78 percent of *The Times* Top 1,000 companies in the UK claim to be benchmarking. Also, the inclusion of benchmarking as one of the criteria for the Malcom Baldrige Quality Award reflects the importance attached to it.

It is evident from a survey among *Fortune 1000* companies, 65 percent of the organizations uses benchmarking as management tool to gain competitive advantage (Korpela and Tuominen, 1996). Similarly a survey in France taken up by *Chambre de Commerce et d'Industrie* estimates that 50 percent of the 1,000 companies use benchmarking regularly, and 80 percent of them regard it as an effective approach of change (Maire *et al.*, 2005). Jarrar and Zairi (2001) have conducted a survey of about 227 organizations from 32 different countries and concluded that it has been applied in most of the sectors like manufacturing, health services, insurance, financial services, construction, banking, government, etc. For example, quite recently, Henderson-Smart *et al.* (2006) has used benchmarking for learning and teaching and have developed a method to perform benchmarking in the field of academics, while Graham (2005) has reviewed

the applications of benchmarking in airports and concluded that benchmarking techniques have become well established in recent years within the airport sector, but the fundamental difficulties associated with inter-airport comparisons (particularly from different countries) and problems of comparability arising largely from the diversity of inputs and outputs, still remain and yet to be resolved effectively. In India too, a survey was conducted by NPC-IFC Group (1994), which showed that about 70 organizations were using benchmarking.

Kumar and Chandra (2001), and Voss and Blackmon (1996) suggested further that the benefits identified from benchmarking are better understanding of strengths and weaknesses of processes, improved suppliers management, improved cycle time and enhanced learning of other organizations work practices. While Sweeney (1994) stressed that companies tend to increase productivity and achieve organizational performance through the effective implementation of benchmarking. Camp (1989) found that effective benchmarking lead to defining customer requirements, establishing effective goals and objectives, develop true measure of productivity, and become more competitive.

Jarrar and Zairi (2001) investigated the benefits gained from the implementation of benchmarking in the UK organizations. They found that the most important benefits were process improvement, setting internal standards and quality improvement. The main benefit of benchmarking as mentioned earlier is to gain and sustain performance superiority. This would involve change and improvement in products, services and processes.

2.12 Conclusion

The strategy of benchmarking is important both conceptually and practically, and is being used for improving administrative processes as well as instructional models. More concisely, benchmarking is an ongoing, systematic process for measuring and comparing the work processes of one organization to those of another, by bringing an external focus to internal activities, functions, or operations. Currently, the focus of benchmarking literature has shifted and addresses issues on improving the benchmarking process, i.e. it focuses on in-depth study of benchmarking to identify the missing links. The model chosen by the organisation should be clear and basic, emphasizing logical planning and organisation and establishing a protocol of behaviour and outcomes.

There is no single benchmarking process that has been universally adopted. The wide appeal and acceptance of benchmarking has led to various benchmarking methodologies emerging. A review of the benchmarking literature shows that there are primarily four kinds of benchmarking: internal, competitive, functional/industry, and generic or best-in-class. The goal of benchmarking is to provide key personnel in charge of processes with an external standard for measuring the quality and cost of internal activities, and to help identify where opportunities for improvement might reside. Benchmarking helps organizations to focus on the external environment and to improve process efficiency.

The commonly reported pitfalls as lack of adequate planning, establishing inappropriate performance measures, appointing inappropriate personnel to the benchmarking team, lack of depth in the benchmarking studies, inappropriate or inaccurate data gathering methods. Most of these studies have focused on benchmarking of companies in the

developed countries whose financial footing and strategic approach is different from that of local companies in Kenya. There is therefore a dearth of literature on the effect of benchmarking on the performance of companies in Kenya. This study therefore seeks to fill this research gap by reviewing the effect of benchmarking on the performance of freight forwarding firms in Kenya.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section was an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research were completed. Therefore in this section the research identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

For the purposes of this study, the researcher employed a descriptive research design. A descriptive study was concerned with determining the frequency with which something occurs or the relationship between variables (Bryman and Bell, 2003). Thus, this approach was appropriate for this study, since the researcher intends to collect detailed

information through descriptions and is useful for identifying variables and hypothetical constructs. According to Mugenda and Mugenda (1999) it is important and appropriate to use data where subjects are observed in either natural set ups without manipulating the environment. The design was deemed appropriate because the main interest is to explore the viable relationship and describe how benchmarking affect performance.

3.3 Population

The target population composed of 30 freight forwarding firms in Nairobi. This will entail interviewing 30 managers currently employed at these firms. This population was chosen since the people in the management are the ones involved in the day to day running of the company and thus are well conversant with the significance of benchmarking variables on performance. Mugenda and Mugenda (2003), explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

3.4 Data Collection

Primary data is information gathered directly from respondents (Kombo and Tromp, 2006) and for this study the researcher used questionnaires. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data. Thus in this study the researcher employed the use of survey questionnaire for data collection.

3.4.1 Research instruments

The researcher administered a survey questionnaire to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended

questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helped in reducing the number of related responses in order to obtain more varied responses. Kombo and Tromp (2006) indicate that semi structured interview refers to the use of already prepared questions during the study. The open-ended questions provided additional information that may not have been captured in the close-ended questions.

Secondary data was also collected for this study. This data was useful for generating additional information for the study from already documented data or available reports. Cooper and Schindler (2003) further explain that secondary data is a useful quantitative technique for evaluating historical or contemporary confidential or public records, reports, government documents and opinions.

3.4.2 Data Collection Method

The researcher administered the questionnaire individually to all respondents of the study. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received and achieve this, the researcher maintained a register of questionnaires, which was sent, and which were received. The questionnaire were administered using a drop and pick later method.

3.4.3 The Pilot Study

The researchers carried out a pilot study to pretest and validate the questionnaire. To establish the validity of the research instrument the researcher sought opinion of experts in the field of study especially the researcher's supervisor and lecturers in the department of educational administration, planning and curriculum development. This facilitated the

necessary revision and modification of the research instrument thereby enhancing validity. The researcher selected a pilot group of 10 individuals from the target population to test the reliability of the research instrument.

The pilot data was not included in the actual study. The pilot study allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The pilot study enabled the researcher to be familiar with research and its administration procedure as well as identifying items that require modification. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measured what was intended.

3.5 Data Analysis and presentation

Quantitative data collected was analyzed by descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of statistical package for social sciences (SPSS). The relationship between benchmarking practices and performance was determined using simple regression analysis. The R-square gives the strength of the relationship and p-value of the coefficient was used to determine the significance of the relationship.

CHAPTER FOUR

ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data analysis results findings and discussions. The chapter is organized as follows: first, it presents the response rate and background information of the respondents. This is followed by analysis of the benchmarking practices adopted by freight forwarding firms in Kenya. The chapter concludes with presentation of the results on the relationship between benchmarking and performance of freight forwarding firms in Kenya.

4.2 Background information

4.2.1 Response rate

The study targeted thirty (30) freight forwarding firms in Kenya. The table below presents the response rate.

Table 4.1: Response rate

	Target	Achieved	Response rate
Freight forwarding firms	30	30	100%

From table 4.1 above, the study achieved a 100% response rate. This could be attributed to the fact that the researcher adopted an interview method of questionnaire administration and that the population is well known to the researcher.

4.2.2 Respondent's designation

The respondents were asked to indicate their designation in their respective firms. The table below shows the results.

Table 4.2: Distribution of respondents by position

	Frequency	Percent
Head of department	13	43.3
Assistant Manager	9	30.0
Supervisor	7	23.3
Staff member	1	3.3
Total	**30**	**100.0**

From table 4.2 above, most (43.3%) of the respondents were heads of department. This was followed by 30% who were assistant managers and 23.3% who were supervisors. Thus 96.7% of the respondents held supervisory positions. From these results, majority of the respondents held high positions and thus were well informed to respond to the strategy issues posed in the questionnaire.

4.2.3 Length of service

The respondents were asked to indicate the length of time in which they had served in the freight and forwarding firms. The table below shows the results.

Table 4.3: Distribution of respondents by length of service

	Frequency	Percent
Less than 5 years	5	16.7
5 - 10 years	16	53.3
More than 10 years	9	30.0
Total	**30**	**100.0**

From table 4.3 above, majority (53.3%) of the respondents had served their organizations for between 5 to 10 years. This was followed by 30% who had served for over ten years bringing the total of those who had served for more than five years to 83.3%. These

findings indicate that majority of the respondents had served in their organizations for a long enough time to make informed judgments about the questions posed to them.

4.2.4 Education level

The study sought to find out the highest education level of the respondents. The respondents were asked to state their highest level of education attained. The responses were as presented in the table below.

Table 4.4: Distribution of respondents by education level

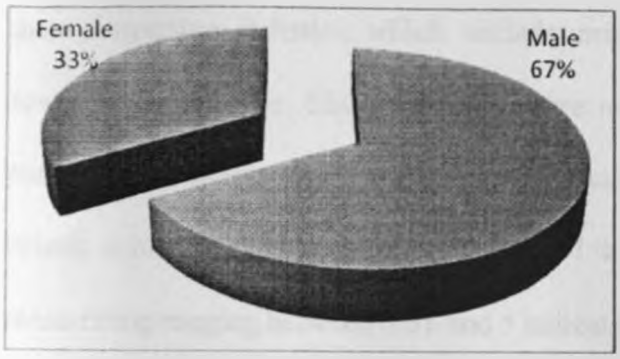
	Frequency	Percent
College diploma/certificate	7	23.3
Undergraduate degree	19	63.3
Postgraduate degree	4	13.3
Total	**30**	**100.0**

From the table above, majority of the respondents (63.3%) had undergraduate degree, 13.3% had postgraduate degrees. Thus majority (76.6%) of the respondents had at least undergraduate degrees. This implies that the respondents were highly educated and thus could easily understand and had good knowledge of the questions posed to them.

4.2.5 Gender

The respondents were asked to indicate their gender. The chart below shows the distribution of respondents by gender

Fig 4.1: Distribution of respondents by gender



From figure 4.1 above, majority of the respondents (67%) were male while only 33% were female.

4.2.6 Major application of benchmarking

The study sought to establish the main applications of benchmarking among freight forwarding firms in Kenya. The respondents were asked to indicate what ways is benchmarking used at their firms. The responses were as shown in the table below.

Table 4.5: Major applications of benchmarking

	Frequency	Percent
For major changes of process re-engineering	13	43.3
As an incremental continuous improvement tool	17	56.7
Total	**30**	**100.0**

From table 4.5 above, majority (56.7%) of the firms used benchmarking as an incremental continuous improvement tool. On the other hand, 43.3% of the firms used benchmarking for major changes like process re-engineering. The implication of this finding is that firms varied widely in terms of the major applications of benchmarking.

4.3 Benchmarking Practices among Freight forwarding firms in Kenya

This subsection presents data analysis results on extent of application of major types of benchmarking, the actual benchmarking practices, benchmarking strategies adopted by

freight forwarding firms and factors influencing success of benchmarking. The section uses descriptive statistics which include minimum, maximum, mean and standard deviation for analysis. Since the items were measured using a 5 point likert scale, for purposes of interpretation, a mean rating ranging between 1 and 2.5 indicates small extent; a mean rating ranging between 2.51 and 3.5 indicates moderate extent; and a mean rating ranging between 3.51 and 5 indicates great extent.

4.3.1 Extent of application of major types of benchmarking

The study sought to establish the extent to which freight forwarding firms had applied the four major types of benchmarking. The respondents were asked to rate on a scale of 1 – 5 the extent to which their firms had applied the different types of benchmarking. The table below shows the descriptive statistics of the four items.

Table 4.6: Extent of application of different types of benchmarking

	N	Min	Max	Mean	Std. Deviation
Internal	30	2.00	5.00	3.93	.78492
Competitive	30	1.00	5.00	3.73	1.14269
Functional/industry	30	1.00	5.00	3.53	1.07425
Generic or best-in-class	30	1.00	5.00	3.87	1.04166

From table 4.6 above, internal benchmarking had been applied to a great extent (mean, 3.93) and the extents of application by different firms did not vary too widely from the mean (sd, .78). Competitive, functional and generic benchmarking had all been applied to a great extent (mean, 3.73,3.53 and 3.87 respectively). However, from the standard deviations, it was clear that the extents of application of these three types of benchmarking varied widely across firms (sd, 1.14, 1.07 and 1.04 respectively). The

implication of these findings is that while all freight forwarding firms had applied internal benchmarking, there was wide disparity in the levels of application of the other types of benchmarking. These findings lend credence to the findings of Graham (2005) who found that the level of application of different benchmarking types could be affected by the ease of availability of information and the comparability of inputs and outputs across industries.

4.3.2 Benchmarking practices among freight forwarding firms

The study sought to establish the extent to which the freight forwarding firms had applied various benchmarking practices. The respondents were asked to indicate their rating on a scale of 1 to 5 of the extent to which their firms had applied the various benchmarking practices listed. The results were as shown in the table below.

Table 4.7: Level of use of various benchmarking practices

	N	Min	Max	Mean	Std. Deviation
Analysis of results	30	3.00	5.00	4.43	.67891
Development of recommendations	30	2.00	5.00	3.97	.85029
Implementation of significantly better practices	30	2.00	5.00	3.80	.80516
A thorough search to identify best-practice-organisations	30	2.00	5.00	3.87	.89955
Careful study of own practices and performance	29	3.00	5.00	4.24	.73946
Systematic site visits and interviews	30	1.00	5.00	3.20	1.29721

From the table above, the most applied benchmarking practices were analysis of results (mean, 4.43; sd, 0.68) and careful study of own practices and performance (mean, 4.24; sd, .74). Other practices which had been applied to a great extent include: development of recommendations (mean, 3.97; sd, .85) implementation of significantly better practices (mean 3.8, ssd, .80) and a thorough search to identify best-practice-organisations (mean,

3.87; sd, .90). Systematic site visits and interviews had been applied to a moderate extent (mean, 3.2; sd, 1.30). The above findings imply that most of the benchmarking practices had been applied to a great extent by freight forwarding firms. The results also point to a bias towards greater application of internal benchmarking practices as opposed to benchmarking practices that involve other outside organizations. These findings are in accordance with those of Bagchi (1996) who offers an explanation for the tendency of firms to apply more on internal benchmarking. The author notes that benchmarking usually begins as an extension of continuous improvement programs which eventually spread out to include comparisons with competitors and other best performing firms.

4.3.3 Benchmarking strategies adopted by freight forwarding firms

The study further sought to examine the extent of application of various benchmarking strategies by freight forwarding firms. The respondents were asked to indicate on a scale of 1 to 5 the extent to which the various strategies had been applied by their firms. The responses were as shown in the table below.

Table 4.8: Level of adoption of different benchmarking strategies

	N	Min	Max	Mean	Std. Deviation
Process (or generic) benchmarking (benchmarking generic processes against best operations or leaders in any industry)	30	1.00	5.00	4.23	.93526
Product benchmarking	30	2.00	5.00	3.90	.75886
Operational benchmarking	30	1.00	5.00	3.87	1.00801
Internal benchmarking (benchmarking against internal operations or standards)	30	1.00	5.00	3.80	1.06350
Financial benchmarking	30	2.00	5.00	3.50	1.00858
Industry (or competitive) benchmarking (benchmarking against other companies in the same industry)	30	2.00	5.00	3.43	.89763
Strategic benchmarking (Proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment)	30	1.00	5.00	3.40	.93218
Futures benchmarking (looks at technologies associated with business processes and uses forecasting techniques to determine what breakthroughs exist among these technologies)	30	1.00	5.00	3.23	1.16511

From table 4.8 above, the most utilized strategies were process benchmarking (mean, 4.23; sd, .94); product benchmarking (mean, 3.90; sd, .76); Operational benchmarking (mean, 3.87; sd, 1.00); and internal benchmarking - benchmarking against internal operations or standards (mean, 3.80; sd, 1.06) and. On the other hand, Financial, industry, strategic and futures benchmarking had all been applied to a moderate extent (mean falls on the range, 2.51 – 3.5). These results also suggest a bias towards strategies that support internal benchmarking. The implication of these findings is that firms tend to adopt those practices whose information can easily be acquired hence potentially leaving out other key areas which in turn may negatively influence the efficacy of the entire benchmarking process. These findings contradict those of Bhutta and Huq (1999) who argued that it was meaningless to compare strategy at internal level but it provided many avenues for improvement when comparisons were made between the competitors.

4.3.4 Factors influencing success of benchmarking

The study also sought to examine the factors that influence the success of benchmarking. The respondents were asked to indicate the perceived extent to which the items listed contributed to the success of benchmarking processes in their organizations. The table below shows the results.

Table 4.9: Factors influencing the success of benchmarking

	N	Min	Max	Mean	Std. Deviation
Being tied to the freight forwarding firm overall strategic objectives	29	3.00	5.00	4.38	.72771
Being composed of interested motivated people	29	3.00	5.00	4.24	.57664
Set realistic timetables	30	3.00	5.00	4.23	.67891
Picking the correct business partners and allies	30	2.00	5.00	4.20	.76112
Focus on relevant work-group-level issues	30	2.00	5.00	4.13	.77608
Following proper protocol	30	3.00	5.00	4.00	.74278
Collecting manageable bodies of data	30	3.00	5.00	3.93	.73968
Identify targets in advance	30	1.00	5.00	3.87	1.04166
Understanding the processes behind the data	30	1.00	5.00	3.57	1.10433

From the table above, the major factors influencing the success of benchmarking were identified as: Linking to overall strategic objectives, being composed of interested motivated people, setting realistic timetables, Picking the correct business partners and allies, Focus on relevant work-group-level issues, Following proper protocol, Collecting manageable bodies of data, Identifying targets in advance and Understanding the processes behind the data (means > 3.5). These results underline the need for benchmarking to be a structured process with organization-wide support. The implication of this finding is that for benchmarking to work, organizations must pay attention to a number of key issues which are known to undermine benchmarking with the main ones being alignment with overall strategy, people motivation and setting realistic timelines.

These findings support those of Elmuti et al. (1997) who suggested that benchmarking can only work if the firm was committed to carrying out all the requisite activities that support it. DeToro (1995) lists the commonly reported pitfalls as lack of adequate planning, establishing inappropriate performance measures, appointing inappropriate personnel to the benchmarking team, lack of depth in the benchmarking studies, inappropriate or inaccurate data gathering methods, failure to plan for implementation, failure to adapt the benchmarking partner's process to ones' organisational culture, and failing to involve the employees in decision making about benchmarking and its implementation.

4.4 Relationship between benchmarking and performance of freight forwarding firms in Kenya.

The study sought to examine the relationship between benchmarking practices and firm performance among freight forwarding firms. Benchmarking practices was looked at from two aspects, namely benchmarking diversity and benchmarking practices intensity. Benchmarking diversity was defined as the number of major types of benchmarking that was applied by a firm to a great extent. Thus this variable was obtained by counting the major types of benchmarking with a score of at least 3.5 on the likert scale. On the other hand, benchmarking intensity was obtained as a composite index of the ratings of multiple items of benchmarking practices. The following subsections present the results.

4.4.1 Regression analysis between benchmarking diversity and performance

The study utilized simple linear regression analysis to examine the relationship between the number of different types of benchmarking adopted (benchmarking diversity) and

firm performance (measured using ROI). The results were as shown in the tables below. Table 4.10 shows the model summary, while table 4.11 shows the coefficient estimates.

Table 4.10: Model summary: benchmarking diversity versus performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.657	.432	.409	.030510

From table 4.10 above, the coefficient of determination was found to be 0.432 indicating that benchmarking diversity accounts for 43.2% of the variability in firm performance. This represents a moderately strong fit indicating a moderately strong relationship between benchmarking diversity and firm performance.

Table 4.11: Coefficients estimates: benchmarking diversity versus performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.007	.014		.480	.635
	Benchmarking Diversity	.021	.005	.657	4.356	.000

From table 4.11 above, the coefficient for benchmarking diversity was .021 indicating a positive relationship between benchmarking diversity and firm performance. This relationship was found to be statistically significant at the 5% level of significance ($p < .05$). These findings imply that the higher the number of major benchmarking types adopted by the firms, the higher its impact is on the firm's performance. These results conform to those of Sweeney (1994) who found a strong link between adoption of different types of benchmarking practices to performance.

4.4.2 Regression analysis between benchmarking Intensity and performance

The study further utilized simple linear regression analysis to examine the relationship between the levels of application of different benchmarking practices (benchmarking intensity) and firm performance (measured using ROI). The results were as shown in the tables below. Table 4.12 shows the model summary, while table 4.13 presents the coefficient estimates.

Table 4.12: Model summary: benchmarking intensity versus performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.519	.270	.240	.034581

From table 4.12 above, the coefficient of determination was .270 indicating that benchmarking intensity accounts for 27.0% of the variability in firm performance. This is a weak fit indicating the existence of a poor relationship between benchmarking diversity and firm performance.

Table 4.13: Coefficients estimates: benchmarking intensity versus performance

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.074	.045		-1.636	.114
	Benchmarking Intensity	.035	.012	.519	3.038	.006

From table 4.13 above, the beta coefficient of benchmarking intensity was .035 indicating the existence of a positive relationship between the two variables. This relationship was found to be statistically significant at 5% level of significance ($p < .05$). These findings imply that level of application of various benchmarking practices does influence firm performance, albeit to a small extent. These findings conform to those of Jarrar and Zairi

(2001) who assert that the main benefit of benchmarking is sustained performance superiority which can only be attained through effective application of key benchmarking practices.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire study. It presents the research findings, conclusions and recommendations

5.2 Summary of findings

The study sought to meet two major specific objectives, namely: To examine the benchmarking practices adopted by freight forwarding firms in Kenya; and to determine the relationship between benchmarking and performance of freight forwarding firms in Kenya. The following were the major findings.

Various types of benchmarking had been applied to varying extents by different firms. The most used benchmarking type was internal benchmarking with the extents of application by different firms not varying too widely from the mean. Competitive, functional and generic benchmarking had all been applied to a great extent. However, from the standard deviations, it was clear that the extents of application of these three types of benchmarking varied widely across firms. The implication of these findings is that while all freight forwarding firms had applied internal benchmarking, there was wide disparity in the levels of application of the other types of benchmarking.

The most applied benchmarking practices were analysis of results and careful study of own practices and performance. Other practices which had been applied to a great extent include: development of recommendations, implementation of significantly better practices and a thorough search to identify best-practice-organisations. Systematic site

visits and interviews had been applied to a moderate extent. The implication is that most of the benchmarking practices had been applied to a great extent by freight forwarding firms. The results also point to a bias towards greater application of internal benchmarking practices as opposed to benchmarking practices that involve other outside organizations.

The most utilized strategies were process benchmarking, product benchmarking, Operational benchmarking and internal benchmarking. On the other hand, Financial, industry, strategic and futures benchmarking had all been applied to a moderate extent. These results also suggest a bias towards strategies that support internal benchmarking. The implication of these findings is that firms tend to adopt those practices whose information can easily be acquired hence potentially leaving out other key areas which in turn may negatively influence the efficacy of the entire benchmarking process.

The major factors influencing the success of benchmarking were identified as: Linking to overall strategic objectives, being composed of interested motivated people, setting realistic timetables, Picking the correct business partners and allies, Focus on relevant work-group-level issues, Following proper protocol, Collecting manageable bodies of data, Identifying targets in advance and Understanding the processes behind the data. The implication of this finding is that for benchmarking to work, organizations must pay attention to a number of key issues which are known to undermine benchmarking with the main ones being alignment with overall strategy, people motivation and setting realistic timelines.

Benchmarking practices were found to have a positive relationship with firm performance. More specifically, the number of major benchmarking types adopted by a firm (benchmarking diversity) was found to a moderately strong positive relationship with firm performance. Further, the extent to which the various benchmarking practices had been applied (benchmarking intensity) was found to have a positive statistically significant relationship with firm performance.

5.3 Conclusions

From the above findings the following conclusions were arrived at. Freight forwarding firms apply the various types of benchmarking to varying extents with the most applied being internal benchmarking. The other types of benchmarking, namely generic, functional and competitive had been applied to varying extents by different firms. Thus from these, it was concluded that freight forwarding firms have a bias towards internal benchmarking and this could be attributed to the ease of acquiring internal information.

The most applied benchmarking practices are analysis of results and careful study of own practices and performance. This indicates a tendency to apply internal benchmarking-related practices to a greater extent as opposed to benchmarking practices that involve other outside organizations. Various factors contribute to the success of benchmarking with the main ones being alignment with overall strategy, people motivation and setting realistic timelines.

Benchmarking practices have a significant positive relationship with performance. The higher the number of benchmarking types (benchmarking diversity) adopted the better the performance. Similarly, performance was found to be strongly linked to the degree to which different practices are applied (benchmarking intensity).

5.4 Recommendations

5.4.1 Policy recommendations

From the conclusions above, the following recommendations were made:

i. Freight and forwarding firms should deploy more financial and other resources towards enhancement of benchmarking. Through this, the firms will be able to apply more types of benchmarking that will serve to improve their performance.

ii. The freight forwarding sector, through associations within the industry should promote sharing of information among freight forwarding companies as this will enhance the overall service quality offered to customers in the sector.

iii. The sector should exploit the ease of acquiring information from the top performing companies in other sectors other than freight forwarding.

5.4.2 Recommendations for further study

i. The study was based on freight forwarding firms with offices in Nairobi. Future similar studies should attempt to widen the geographical scope and obtain data from more companies in Kenya

ii. The present study did not try to show the correlation between the performance of best in class firms and those of other firms. Future studies should attempt to utilize cluster analysis to identify best in class firms and compare their performance with those other firms who do not fall in the best in class group.

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APPENDICES

Appendix I: Introduction Letter

March 2010

The Chief Executive,

DHL,

P.O Box

Nairobi.

Dear Sir,

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project on **ASSESSMENT OF THE SIGNIFICANCE OF BENCHMARKING VARIABLES ON PERFORMANCE. EVIDENCE FROM FREIGHT FORWARDING FIRMS.** The focus of my research will be freight forwarding firms and this will involve use of interview guides administered to members of the management team.

I kindly seek your authority to conduct the research at freight forwarding firms through questionnaires and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Appendix II: Questionnaire

Kindly answer the following questions by filling the spaces provided.

Part A: General information

1. What is your designation in the company?

   Head of Department [ ]
   Assistant Manager [ ]
   Supervisor [ ]
   Staff Member [ ]

2. What is your length of time in Freight Forwarding?

   Less than 5 years [ ]
   Between 5 and 10 years [ ]
   More than 10 years [ ]

3. What is your highest level of education?

   Primary Level [ ]
   'O' Level [ ]
   Certificate/Diploma [ ]
   Graduate [ ]
   Postgraduate [ ]

4. What is your profession/level of training?

   .....
   .....

5. What is your gender? (Please tick)

   Male [ ]

   Female [ ]

PART B: SPECIFIC INFORMATION

1. In what ways is Benchmarking used at your firm?

   For major changes of process re-engineering [ ]
   As an incremental continuous improvement tool [ ]

2. What are the reasons for initiating benchmarking?

.....
.....
.....
.....

3. To what extent do the following factors enhance benchmarking success at the firm?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Management Commitment					
Internal assessment					
Employee participation					
Benchmarking limitation					
Role of quality department					

4. To what extent does the firm apply the following types of benchmarking?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Internal					
Competitive					
Functional/industry					
Generic or best-in-class					

5. To what extent does your freight forwarding firm apply the following benchmarking practices?

Practices	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Analysis of results					
Development of recommendations					
Implementation of significantly better practices					
A thorough search to identify best-practice-organisations					
Careful study of own practices and performance					
Systematic site visits and interviews					

6. What is the extent to which you apply the following benchmarking strategies at your freight forwarding firm? Use a scale of 1-5 where 1 = to a very great extent and 5 = not at all.

Benchmarking strategy	1	2	3	4	5
Internal benchmarking (benchmarking against internal operations or standards)					
Industry (or competitive) benchmarking (benchmarking against other companies in the same industry)					
Process (or generic) benchmarking (benchmarking generic processes against best operations or leaders in any industry)					
Strategic benchmarking (Proactive analysis of emerging trends, options in markets, processes, technology and distribution that could affect strategic direction and deployment)					
Futures benchmarking (looks at technologies associated with business processes and uses forecasting techniques to determine what breakthroughs exist among these technologies)					
Product benchmarking					
Financial benchmarking					
Operational benchmarking					

7. To what extent do the following contribute to the successful implementation of benchmarking at the firm?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Being tied to the freight forwarding firm overall					

strategic objectives					
Being composed of interested motivated people					
Focus on relevant work-group-level issues					
Set realistic timetables					
Picking the correct business partners and allies					
Following proper protocol					
Collecting manageable bodies of data					
Understanding the processes behind the data					
Identify targets in advance					

8. What tools and metrics are used to support effective benchmarking process at the freight forwarding firm?

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9. To what extent do the following benefits of benchmarking enhance the overall business performance realized by your freight forwarding firm?

	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Team building					
Organizational development					
High payoff in terms of quality					

and customer satisfaction					
Helps in the implementation of change					
Provides an insight into prevailing business performance					
Establishes pragmatic goals based on a concerted view of external conditions					
Determines authentic measures of productivity					
Helps to change internal paradigms and "see out of the box"					
Creates awareness of industry good practices					
Supports the quest for a competitive position					

10. To what extent does your freight forwarding firm experience these obstacles in a bid to benchmark its activities?

Obstacles	Very great extent	Great extent	Moderate extent	Little extent	No extent at all
Lack of management commitment					
Focusing on metrics rather than processes					
Lack of follow-up to the benchmarking process					
Insufficient financial					

resources to allocate to benchmarking					
Insufficient human resources to allocate to benchmarking					
Owner-managers refusal to divulge strategic information					
Owner-managers not aware of the need for and the potential benefits of benchmarking					
Lack of time or resources allocated to the exercise					
Greater environmental uncertainty in the freight forwarding firm					

11. What is your level of agreement with the following statements that relate to the relationship between benchmarking and performance at the freight forwarding firm? Use a scale of 1-5 where 1= strongly agree while 5= strongly disagree.

Statement	1	2	3	4	5
Benchmarking activities developed for freight forwarding firms must be specific to the environment and constraints of these organisations if the implementation of the practices identified by such activities is to succeed and result in increased performance.					
Knowledge generated by researchers during benchmarking allows freight forwarding firms, with their limited resources, to better justify their decision to engage or not to engage in benchmarking activities.					
Benchmarking allows the freight forwarding firm to achieve continuous improvement by quickly signalling					

deterioration in its competitiveness or identifying areas that need to be adjusted					
Benchmarking at the freight forwarding firm facilitates learning and understanding of the organisation and its processes.					
Benchmarking enables the freight forwarding firm to identify the key processes that need improvement, and to search for applicable solutions from the best in class					
Benchmarking alone is not sufficient – the freight forwarding firm also needs vision, energy and teamwork to increase its performance after a benchmarking activity					
Greater environmental uncertainty and limited resources are some of the aspects that would require the development of benchmarking practices that are specific to freight forwarding firms if these practices are to be adopted effectively.					
Benchmarking answers the freight forwarding firm's need to improve its quality, profitability and competitiveness brought about by rapid and important changes in the business environment					

THANK YOU FOR YOUR COOPERATION AND PARTICIPATION!!!!