Beyond Rankings: Using Benchmarking to Drive Territorial Competitiveness

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Abstract- **This paper explores the concept of Benchmarking Territorial Competitiveness (BTC) as a tool for economically disadvantaged regions to learn from international and local best practices. The increasing emphasis on competitiveness in today's globalized market creates a pressure for businesses and regions to adapt and innovate. However, disadvantaged regions often lack access to knowledge about leading practices, hindering their ability to compete. Drawing on the work of Stuart Rosenfeld and the experiences of local development practitioners, this study examines how BTC can bridge this gap. The paper argues that by systematically comparing themselves to successful regions, disadvantaged areas can identify areas for improvement and implement strategies for growth. The report is based on the author's experiences in workshops and discussions with local development practitioners, along with insights from specialized literature on benchmarking and territorial competitiveness.**

Competitiveness is a concept and a reality that is rapidly spreading throughout the world. Market logic is an increasingly widespread principle that affects not only all kinds of companies but also territories, whether they are cities, regions or entire nations.

Keywords: **Territorial competitiveness, Competitiveness gap, Benchmarking Territorial Competitiveness (BTC)**

1. INTRODUCTION

The increasing relevance of competitiveness leads to an increasing interest in finding out more about leading competitors, and learning from their success stories. How did the small and medium-sized businesses in the industrial regions of Italy manage to remain highly competitive? What makes Silicon Valley and Bangalore leaders in information technology? Why did one region establish itself as a tourist destination while a neighboring region with similar resources failed to do so? Such questions foster more structured and systematic comparisons, which in this paper I call Benchmarking Territorial Competitiveness (BTC).

In this working paper, I am particularly interested in how economically disadvantaged regions could benefit from Benchmarking. Stuart Rosenfeld, a researcher studying the relation between competitiveness and regional equity, has this to say on the subject: "Poorer and peripheral regions have limited access to Benchmark practices, innovations, and markets. Without wider access, companies are limited to learning only within their regional borders and have a difficult time achieving any sort of competitive position" (Rosenfeld 2002, 10). This statement refers to the less prosperous regions of Europe but is equally applicable to towns and regions in developing countries.

In many developing countries the majority of craftsmen, producers or traders lack knowledgeabout the innovations and new tendencies of the market in which they operate. They often work in a manner that has been passed down by previous generations, with little change. This way of doing business is increasingly being questioned in the light of globalization, which brings the logic of competitiveness to the most remote regions. When negotiating free trade treaties, business people and producers are now under great pressure to rethink their business model. Given the current situation, I want to look at the way Benchmarking can helpthem to learn from international and local best practices.

This study was inspired by requests from various local development practitioners for a more systematic investigation into best practices and an increased level of exchange and learning on Local Economic Development. In this report, I shall summaries some of my own experiences based on those debates and workshops, adding information taken from specialized literature on Benchmarking and territorial competitiveness. The report is divided into the following three parts:

1. In order to make the concept easier to understand, I define and synthesise some basic ideas on Benchmarking.
2. Then apply Benchmarking to the subject of the competitiveness of different locations and territorial economies, with reference to practical experiences and with the inclusion of some conceptual ideas.
3. Finally, I sum up a number of ideas on how Benchmarking could be used to encouragelocal and regional competitiveness.

2. OBJECTIVE

The objective of this report is to identify a form of territorial Benchmarking that might respond to the needs of local and regional development practitioners. It does not attempt to offer a definitive answer, merely a basis for debate between all those interested in the topic.The writer of the report will be satisfied if this study serves as a stimulus to local economic agents and others involved in Local Economic Development.

3. WHAT IS BENCHMARKING?

3.1 Origins and Definition

Benchmarking is a systematic process of comparing an organization's performance against others, aiming to identify and adopt best practices for improvement. It goes beyond just competitors, seeking best practices from any industry or sector. The key is to find a process that fits the organization's culture and fosters continuous improvement. Originally used in business, Benchmarking is now applied to various organizations to identify areas for improvement and implement best practices.

The different definitions of Benchmarking have the following elements in common:

- Developing competitive advantages.
- Studying best practices in organizations from any industry or country.
- Comparing the performance of an organization with that of others, in order to obtain information that, when creatively adapted, might lead to an improvement in its
- performance.

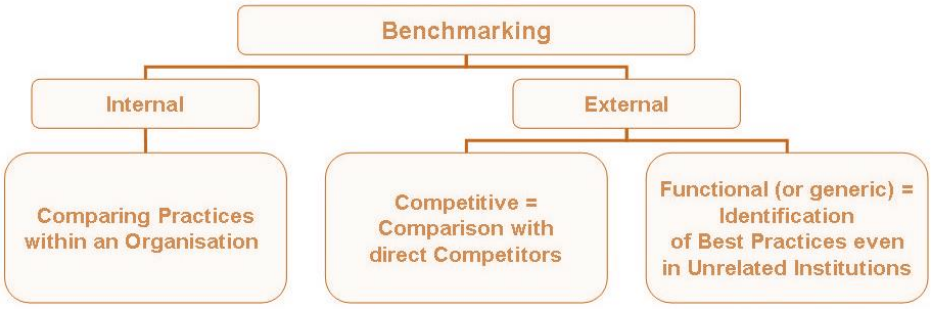
In summary, Benchmarking is a tool for developing competitive advantages in an organization, based on the creative or innovative adaptation of existing best practices.

3.2 Forms of Benchmarking

A simple typology can be used to explain the different types of Benchmarking:

This passage discusses different types of Benchmarking:

1. Internal,
2. Competitive
3. Functional

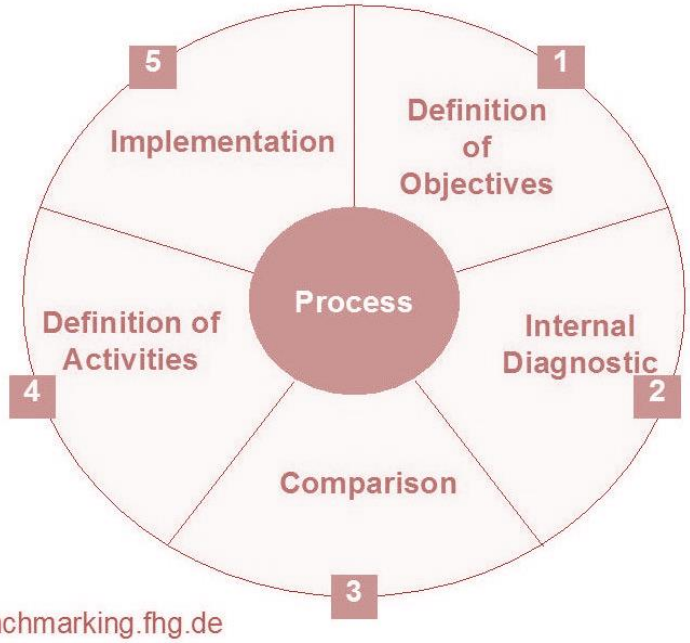


- **Internal Benchmarking**: Compares processes and results within the same organization. It helps identify best practices across different departments or locations within a company.
- **Competitive Benchmarking**: Focuses on comparing practices with direct competitors. This can be challenging due to data sharing restrictions, but can be useful for understanding competitor strategies.
- **Functional Benchmarking**: Compares specific functions (e.g., HR, marketing) with leading companies in any industry, regardless of competition. This is often easier for data sharing and offers insights into best practices beyond direct competitors.

The text also highlights a difference between benchmarking in the business sector and public sector. Business benchmarking often focuses on process comparisons, while public sector benchmarking tends to emphasize comparing performance outputs. The author suggests that the public sector could benefit from incorporating process comparisons into their benchmarking practices.

3.3 The Benchmarking Process

Benchmarking can be divided into five principal phases:



Source: www.benchmarking.fhg.de

1. Definition of objectives

The definition of objectives serves to clarify the results that are hoped to be obtained from Benchmarking, and comparing them with the resources available for implementing such activities. Any Benchmarking process may have multiple objectives, but these must always beoriented towards improving the competitive position of the entity being studied. It is important to define the objectives on the basis of the client's needs and those of other stakeholders. If the aim is to organize Benchmarking in a participative manner, the various important groups, including those at the executive level, should be integrated from the outset. In addition, it is advisable to set up a Benchmarking project team, which can depend on the advice of an experienced external Facilitator.

2. Internal Diagnostic

Internal diagnostic consists in identifying the key processes of a company or organization. Thisentails identifying those areas or processes that need to be improved: core competencies of the organization, central processes or critical areas, on which the satisfaction of clients or users depends. In order to keep the project manageable, it is advisable to be specific when defining objectives, and to focus on a few key processes rather than embracing the entire reality of the company or organization.

3. Comparison

 Identifying **Benchmark Companies:**

- Look for companies or organizations recognized for excellence in the target area.
- Consider factors like cost and ease of access to information when choosing benchmarks.
- Don't be afraid to look beyond your industry for best practices.

 Information **Gathering:**

A project team will lead the data collection and analysis.

Information sources include:

- Visits to benchmark organizations (if feasible)
- Reviewing documents, publications, and files
- Conducting surveys and interviews
- Holding meetings

4. Defining activities

Once best practice methods have been identified it is a case of analyzing why others get betterresults. It is sometimes thought that Benchmarking involves taking or stealing information inan ill-judged fashion. This is why it is essential to bear in mind that the practices usually needto be creatively adapted to the new context. Moreover, one must take into account the resources available for implementing the necessary changes.

5. Implementation

 Implementation Plan: The project team designs a plan to put the identified best practices into action.

 Communication & Support: Clear communication about planned actions and expected results is crucial to gain stakeholder support.

 Monitoring & Adjustment: The implementation process should be monitored to assess its effectiveness and make adjustments as needed.

 Continuous Improvement: Benchmarking is not a one-time event, but rather a continuous process of learning and improvement. It requires on-going efforts to stay updated on best practices.

4. BENCHMARKING OF LOCAL OR REGIONAL COMPETITIVENESS

4.1 Territorial Competitiveness

The concept of competitiveness applied to territories (countries, regions, cities). There's debate about whether competition applies the same way to territories as it does to companies.

- **National Competitiveness:**
- Krugman argues countries don't compete identically to companies and international trade is more like a strategic game.
- Porter argues countries can improve their competitive position by creating conditions for companies to develop advantages.
- Both agree that national competitiveness hinges on companies' productivity and ability to maintain it.
- **Regional Competitiveness:**
- Camagni disagrees with Krugman, stating regions do compete with each other in a globalized market.
- Unlike countries, regions compete based on absolute advantage (attracting production factors) due to a lack of location-based exchange rates.
- Regions that lack competitiveness in factors like accessibility, talent, or innovation risk being excluded.
- Success depends less on natural resources and more on the creativity and innovation of local players.

5. CASE STUDY: THE SILICON VALLEY INDEX

Since 1996, an annual index has been published to provide information on economic development in Silicon Valley.[4] The index serves to strengthen regional identity, and providesa solid basis for organizing coordinated, pro-active efforts to make Silicon Valley a better placeto live, work and do business.

The index is produced by Joint Venture, a nonprofit organization, which provides informationon the region's economy and quality of life. Joint Venture brings together established and emerging leaders from business, labour, local government, education and NGOs in order to create a region with sustainable development and one that is oriented towards competitiveness in the global economy.

The focus of the index is clearly the internal analysis of Silicon Valley. Using a set of 37 regionalindicators, the index measures progress towards achieving the goals established in the Strategic Plan for 2010: **"A Regional Framework for Growing Together".** The objectives of Silicon Valley 2010 were developed by taking into account the contributions of 2,000 residents of Silicon Valley. Four main areas were identified:

1. Our innovative economy makes productivity grow and increases prosperity.
2. Our community protects the natural environment and promotes healthy living conditions.
3. Our society connects people and opportunities.
4. Our public and private institutions develop shared solutions.

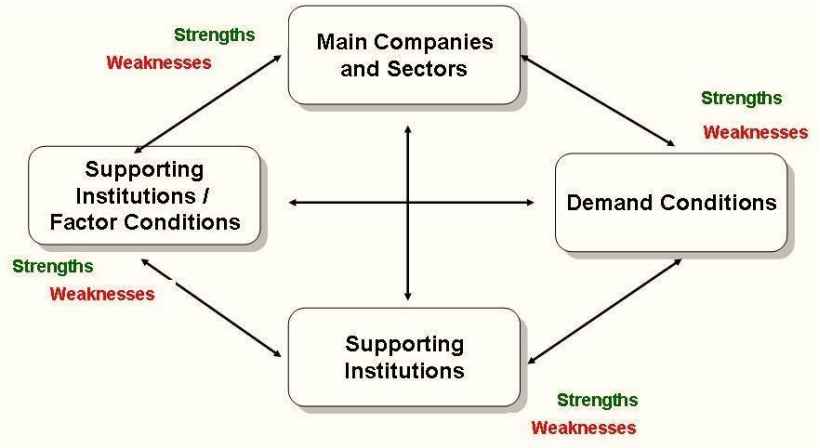
6. THE DIAMOND OF COMPETITIVENESS AND RANKINGS

One of the most widely used tools for the diagnosis of territorial competitiveness is Michael Porter's Diamond (Porter 1990). Porter developed this schema in the framework of a study on the Competitive Advantage of Nations, and later applied it to other territorial aggregates such as regional economies or local clusters. This tool is used to identify four key elements that explain the competitiveness of a territory:

1. Company strategy, structure and rivalry.
2. Factor conditions.
3. Related industries and support institutions.
4. Demand conditions.

In later publications, he also mentions "government" and "chance" as additional factors that
Influence competitiveness (e.g. Porter 1998).

In order to facilitate understanding amongst a non-economist target group, in our PACA workwe employ a simplified version of the Diamond of Competitiveness:



Porter's Diamond:

- Inspired the creation of competitiveness rankings like the World Economic Forum's Global Competitiveness Report (GCR).
- GCR considers both future growth expectations and a country's ability to utilize resources effectively (based on Porter's diamond).

World Competitiveness Rankings:

- Reports like GCR and the World Competitiveness Yearbook (WCY) compare countries and, more recently, some regions.
- These rankings use a combination of hard data and surveys to evaluate competitiveness across various factors.

Including Regions in Rankings:

- Regional economies can have distinct profiles compared to their nations.
- Regions may seek more autonomy in managing their competitiveness.
- They can represent concentrated areas of economic strength ("pockets of competitiveness").

Limitations of Rankings:

- While rankings consider many factors, they may not fully capture the complexities of "systemic competitiveness."

Overall, the passage acknowledges that Porter's Diamond provides a framework for comparing territories, but also highlights the limitations of relying solely on rankings for understanding competitiveness.

4. CONCLUSION

When it comes to designing a plan for Benchmarking Territorial Competitiveness it is necessary to seek a balance between two arguments:

1. One view is that the actors in a region (of a developing country) could learn from economically successful regions, which are located, on the whole, in developed or emerging countries (e.g. the industrial districts of Italy, or Silicon Valley, or Bangalore). The Benchmarking of Localities Questionnaire is based on this idea, although the systemic competitiveness approach is broader and includes a reflection on the overall conditions in developing countries.
2. The other line of argument focuses on the uniqueness of each local economic development process. Each system has its own logic, so what is useful for one is not suitable for another. “There are certain doubts about the usefulness of Benchmarking processes with the objective of improving regional competitiveness: because there is no ‘optimum’ development model, it is difficult to copy or imitate a successful model from another place, and often new trajectories arise in space” (Boschman, 2004, 1001).[9] In this regard, the Compass of Local Competitiveness is an instrumental response that can be strategically implemented without the need for comparisons with other regions.

In addition to the two extreme positions, I see a good opportunity for combining the different instruments in an intelligent way in order to make the most of internal and external approaches. The usefulness of the Compass lies in its ability to identify the key factors for competitiveness in each particular case. This does not rule out the possibility of elaborating ageneric Balanced Scorecard that captures a set of typical factors and indicators, which may contribute to the creation of a concrete Compass of Local Competitiveness. The elaboration of a generic framework should even make use of the scientific wisdom of concepts like the diamond of competitiveness or that of systemic competitiveness.

The overall objective of a Benchmarking of Territorial Competitiveness could be to stimulate inter-territorial learning in order to increase the competitiveness of the provinces and municipalities and their companies, and thereby make

good use of free trade treaties for integral and sustainable development.
Specific objectives include the following:

- The internal analysis of the competitive situation of each participating province or municipality serves to clarify and improve the economic development strategy for the territory.
- The comparison with other territories facilitates an understanding of the current development situation of each participating territory and provides orientation for possibleimprovements.
- Benchmarking facilitates the identification of good practices already developed elsewhere and their dissemination throughout the region or country in question.
- Benchmarking increases transparency regarding results and the management of economic development in the territories, and thus serves as an encouragement to those in charge to achieve good results.
- A Benchmarking system is of use to national organizations and for international cooperation, since it gives clear indicators on where the greatest impact of policies for encouraging territorial competitiveness is found.

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