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QUALITY BENCHMARKING METHODOLOGY: CASE STUDY OF FINANCE AND CULTURE INDUSTRIES IN LATVIA

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Abstract

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Political, socio-economic and cultural changes that have taken place in the world during the last years have influenced all the spheres. Constant improvements are necessary to sustain in rival and shrinking markets. This sets high quality standards for the service industries. Therefore it is important to conduct comparison of quality criteria to ascertain which practices are achieving superior performance levels. At present companies in Latvia do not carry out mutual benchmarking, and as a result of that do not know how they rank against their peers in terms of quality, as well as they do not see benefits in sharing of information and in benchmarking.
The purpose of this paper is to determine the criteria of qualitative benchmarking, and to investigate the use of the benchmarking quality in service industries, particularly: finance and culture sectors in Latvia in order to determine the key driving factors of quality, to explore internal and foreign benchmarks, and to reveal the full potential of inputs' reduction and efficiency growth for the aforementioned industries.
Case study and other tools are used to define the readiness of the company for benchmarking. Certain key factors are examined for their impact on quality criteria. The results are based on the research conducted in professional associations in defined fields (insurance and theatre).
Originality/value – this is the first study that adopts the benchmarking models for measuring quality criteria and readiness for mutual comparison in insurance and theatre industries in Latvia.

quality, benchmarking, quality measurement, criteria of quality

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This sets high quality standards for the service industries. Therefore it is important to conduct comparison of quality criteria to ascertain which practices are achieving superior performance levels. Companies in Latvia do not carry out mutual benchmarking, and as a result of that they do not know how they rank against their peers in terms of quality. Being concerned about intense competition as well as being self-oriented they do not see benefits in sharing of information and in benchmarking. However, benchmarking as a systematic process for improving performance has gained a great popularity worldwide since the 1980s. As a classic of benchmarking R.Camp observed, "establishing operating targets based on the best possible (industry) practices is a critical component in the success of every business" (Camp, 1989). Benchmarking moves management thinking from an internal focus to one that is external and competitive and can lead to revolutionary rather than evolutionary change (Boxwell, 1994). As organizations recognize and confirm that people are a key to competitive advantage, it is becoming increasingly important to make the best use of the investment in the "quality assets". At the time of globalisation, competition and rapid change one must make sure that people-related issues are at the top of business agenda so that the changes can

be managed effectively. J. Bramha declined, "you should look to benchmark key – people policies and people processes against what other organizations are doing" (Bramha, 1997). This may have implications for the use of benchmarking in human capital organizations in general (Tyler, 2005). Insurance and Theatre industries represent service sector and even more human capital organizations. The authors' intention is to investigate if they have common understanding about the quality criteria, and what they can learn from each other. Research in benchmarking has predominantly been conducted within manufacturing industries and most studies have identified and evaluated practices in large organizations. Although more recent works (Drew, 1995; Crespy *et al.,* 1993; Lee, 2001, Hwang and Lockwood, 2006; and Cheng *et al.*, 2007; Broderick, Garry, *et al.*, 2010) have all addressed some aspects of performance management in services, there nonetheless remains limited research on benchmarking of small service firms. Theatre and Insurance industries in Latvia represent small and medium size enterprises, which is a core driven factor of economic development of the state.

While looking at benchmarking as in other fields, metrics are usually classified as either "hard" or "soft". Hard data would be absence rates or productivity levels achieved. An example of soft data would be employee's views of the organization. It is "soft" because there is judgment involved in the data. In this case, the employee's views are determined by many factors that are varied and even outside the strict concern of the organization; for example, how the person feels about his or her own health (Bramha, 1997).

The goal of the study is to determine the existing criteria of qualitative benchmark in theatre and insurance industries.

MATERIALS AND METHODS

There exist several tools and models which are used as benchmarking tools in order to improve the performance of companies by developing the strategies (Mehregan, Nayeri, Ghezavati, 2010). To attain the goal of the study the authors have chosen qualitative approach as applying qualitative approach phenomena are studied in their natural setting (Denzin, Ryan, 2007), it allows understanding differences in the phenomena to be studied (Hunter, Brewer, 2003) as well as its use in the study also provides the researcher's close contact and interaction with the people involved in the study, which is an advantage in obtaining the research results. Another advantage is its transparency and publicity (Freeman, de Marrais, 2007; Denzin, Ryan, 2007). Moreover, such empirical materials as case studies, personal experiences, introspection, interviews, observations (Denzin, Ryan, 2007) tend to be analyzed applying qualitative approach.

Three different methods are applied in the study in order to have a wider understanding of the concept of benchmarking in theatre and insurance industries in Latvia:

1. Desk research/ Literature research: is largely designed to review existing literature, the investigations and papers that are accessible in internet resources, books of benchmarking and available latest studies in data bases.
2. Survey: conducted by Latvian insurance brokers association (LIBA).

   Since the year 2007 LIBA has been conducting a survey of insurance companies: "Insurers' performance evaluation by insurance brokers". All members of LIBA participate in this survey evaluating each insurer's performance, according to 9 criteria, by applying Likert scale, where 1 is the lowest possible performance evaluation, and 5 is the highest evaluation. According to this evaluation benchmarking is performed and the ranking of the insurers is made, insurance brokers are licensed, they are experienced insurance professionals, so they can be considered as insurance field experts. Some insurers include the results of the survey in their annual reports, which also show validity of the survey.
3. Case study: The methodology adopted for the research comprised a number of research strategies, which included: in-depth interviews of heads of associations of theatre and insurance. In-depth interviews were chosen as they allow studying the research question in a more detail than other methods, e.g. a questionnaire (Denzin, Lincoln, 2003; Flick, 2005; O'Leary, 2010). Content analysis (Denzin, Lincoln, 2003) was applied for data analysis and interpretation as it includes systematic qualitative analysis of the phenomena which helps drawing considerate conclusions (Mayring, 2004). In-depth interviews were conducted with 3 heads of associations representing theatre and insurance industries.

Maija Pavlova is the head of Latvia's Professional Non-governmental Theatres' association. She has been working in the theatre industry since 2004. The association was established in 2006 and it covers all professional non-governmental theatre companies in Latvia.

Insurance industry in Latvia is represented by 2 associations. Insurance companies are represented by Latvian Insurers Association (LIA). It is a society, which was founded on 12 August, 1993. LIA unites 18 insurance companies and branches of foreign insurers (10 non-life and 8 life), which control approximately 99.8% of the total Latvian insurance market. LIA represents the common interests of the insurance industry of Latvia. The association discusses issues that are relevant to the insurers, as well as informs the society about topics significant for the clients. LIA offers to its members all kinds of insurance including motor, property, health, life, as well as pension and savings insurance.

Other organization, Latvian Insurance Brokers Association (LIBA) was founded on 20 March, 2000

by insurance broker companies registered in the Republic of Latvia. Currently there are 104 insurance broker companies in Latvia. The aim of the LIBA is to develop insurance brokers' market, raise the quality of insurance services and representation of common interest of the members.

The EFQM model (EFQM, 1999) has been used to assess the theatre and insurance association's progress towards excellence. The research question was: how the heads of the associations understand the criteria of the EFQM model and the key driving factors of the quality.

THE RESULTS AND DISCUSSION

The summary of the opinion expressed in the in-depth interviews by the 3 heads of associations representing theatre and insurance companies enabled formulating the quality benchmarking criteria.

The head of Latvia's Professional Non-governmental Theatres' association defined the key driving factors of the quality in theatre industry:

1. The **purpose of organization** – mission, vision, goals. Theatre focuses, first and foremost, on the creation of cultural value and tries to combine this mission with the creation of financial value. The aim for theatre is to create an artistic value and business is a tool for realization of this vision.
2. The **number of spectators**. Theatre innovates by finding new ways how to address their customers, a new approach to get loyal and interested spectators. Without them theatre does not have any reason to exist.
3. **Artistic quality** (reviews, awards and award nominations). Is there a competitive race to attract talented and great artists or actors? Theatres are supporting the clustering of creativity and innovation skills to compete with each other in artistic way.
4. **Historical growth** (in artistic sense), and potential to learn and grow, development, organizational culture. It is easier to be an employee in a worldwide company, than to start up a new business on culture field. However, challenge provides an opportunity and possibility to grow together with the theatre company, to develop in the way person has grown up.
5. **Influence on the society** – realization of the value of art requires the inclusion in the development of social values. Being focused on the cultural content and value the creative process is a moral attribute of the cultural entrepreneur. Economics has to be an instrument for them in order to realize cultural values.

Insurance industry in Latvia is represented by 2 associations. Insurance companies are represented by Latvian Insurers Association (LIA).

LIA currently does not conduct any quality benchmarking activities, but they do admit the necessity for such benchmarking. The head of LIA determined such quality criteria:

1. **Client satisfaction** (client references, loyalty);
2. **Client complaints** (the number of complaints submitted to LIA ombudsman, Finance and Capital Supervision Commission – state governed regulatory institution in Latvia, as well as the number of complaints in media);
3. **Claim handling agility and attitude** (quickness, simplicity and accessibility of the process of handling claims);
4. **Reputation** (evaluation of the insurer by customers, partners, media and other institutions);
5. **Accessibility** (number of affiliates, 24 hour call centres, accessibility through internet);
6. **Service level** (kindness of employees, IT service level);
7. **Concessionality** (interpretation of insurance conditions in clients' favour).

All those criteria have focus on client perspective. They all are aimed towards client satisfaction. In addition to those criteria there exists another perspective. As described by the head of LIA: There are 2 groups of insurers in Latvia. The first group is insurers with western owners, and the second is domestically owned companies. There is an assumption that western companies have better quality practices than domestically owned ones. Therefore it can be concluded, that ownership of the company, can be indirectly determined as a quality criteria.

As previously said, there is an organization in Latvia, apart from LIA, which has been completing insurer's quality benchmarking, already for 3 years, for its own purpose: Latvian Insurance Brokers Association (LIBA).

As stressed by Aigars Krūms – the head of LIBA: "Insurance brokers are the only insurance industry representatives, who are obliged by law to work only on behalf of client and his/her interests. Working on behalf of clients, insurance brokers, as professionals of insurance industry are developing their own, subjective opinion about each and every insurer's attitude towards their clients and client's representatives – brokers."

In order to summarize their members' opinion on the quality of Latvia's insurance companies LIBA has conducted a survey of benchmark insurance companies according to the following criteria:

1. **Performance agility** (how quickly insurer serves clients, brokers, claims);
2. **The quality of insurers' product and services** (coverage, deductibles, exceptions, obligatory conditions, conditions of compensation, other conditions);
3. **Price level** (comparison of prices to the similar products from competitors);
4. **Insurers' public reputation** (how clients evaluate insurer, reviews from clients);

5. **Is insurer well known** (do clients recognize particular insurer, evaluation of insurers' marketing activity);
6. **Insurers' attitude towards insurance brokers** (insurers' employees attitude -friendly, arrogant, other and public expressions about brokers);
7. **Do insurers treat direct clients, and broker clients equally** (do broker clients receive equal offer in the sense of price and service);
8. **How quickly insurance claims are handled**;
9. **Does insurer compete fair** (Does insurer try to cheat broker by addressing client directly).

It is essential to stress that LIBA considers more important to benchmark their partners – insurers than benchmark themselves. It can be explained by the fact that insurers are "owners" of the product – services provided to the customers, and in the sense of quality they are more influential than insurance brokers, which are "distributors".

As admitted by all heads of the examined associations, there is no methodological and comprehensive quality evaluation approach implemented, and they do see a need and potential benefits for such a model to be established. Therefore the authors propose the EFQM model as a method how to organize and systematize quality benchmarking efforts in industries.

The EFQM model is a non-prescriptive model based on nine criteria, which can be used to assess an organisation's progress towards excellence. Five of these criteria are called "enabler" criteria, which means that they cover different aspects that enable an organisation to be successful: leadership, people, policy and strategy, partnerships and resources, and processes. The remaining four criteria are results criteria, which means that they cover different results that an organisation achieves: people's results, customer's results, society's results and key performance results. The criteria are also divided into subcriteria, which contain a number of questions that should be used in an assessment of an organisation (EFQM, 1999).

The EFQM model served mainly as a checklist of different assessment criteria in this benchmarking exercise. Although benchmarking was focused on the enabler criteria, these criteria seemed to cover most of the important aspects of quality management. There were some difficulties, however, related to the definitions of the different sub-criteria. For example, there is not a clear distinction between policy and strategy in the model. There is also some overlapping between the process criteria and the rest of the enabler criteria. These problems may hopefully be solved in further developments of the EFQM model. In their presentation of the model, the EFQM (EFQM, 1999:1) have ensured that "the model remains dynamic and in line with current management thinking" (Axelsson, Bihari-Axelsson, Steen, 2004).

The EFQM model has been used to assess the theatre and insurance association's progress towards excellence. The research question was how they understand the criteria of the EFQM model and the key driving factors of the quality.

Result oriented

The head of the association of theatres inclined towards recognizing the importance of artistic results. Their benchmarks are official awards or received positive assessment of dramatic critics.

Focus on client

Focus on client is one of the main criteria of quality measurement in theatre industry. One of the goals focused on the people creating the work on stage, the other – on involving the audience. "If there is not anyone interested, what the theatre is doing, you may play your roles at home" strictly announced the leader of the association of theatres.

Leadership

In theatre industry in Latvia it does not matter, if there is just the leader or a group of enthusiasts, they are very good at setting a mission for an organization and mobilizing people around it. The mission is the flag around which the staff, users and supporters can gather. They mostly understand the lack of strategy and are ready to work on it, although the mission is very strong – it keeps the organization together.

Management of processes

Organizations of theatre industry mostly do not get hung up on plans and strategies. They are pragmatic and opportunistic. If an opportunity comes along, they will try to take it, even if it does not fit their original plan.

Development of Human Resources

Theatre organizations are people's businesses par excellence, because they usually have no other resources. The leader's possibility to recognize and to use the knowledge and ideas of their staff, helpers and users are their most important resources. The organization is built on beliefs and strong mission statement. Personnel is a key factor, so the organization can just develop together with the staff.

Learning opportunity

Peter Senge (Senge, 2006) in "The five disciplines" represents approaches (theories and methods) for developing three core learning capabilities:

1. fostering aspiration (personal mastery, shared vision);
2. developing reflective conversation (mental models, dialogue);
3. understanding complexity (system of thinking).

The head of theatre association on the one hand admitted the necessity of a shared vision and a dialogue among theatres, but on the other hand proclaimed that it is not possible. They believe in learning as one of the core values of organization development. Those organizations are usually too

poor and too frail to survive on their own. They can only survive by depending upon a wider network of support.

Partnership

The core assets are forms of social capital – relationships, networks, trust and co-operation. These values give them an access to physical and financial capital. To create Theatre Company as a business model is a challenge, because incomes do not cover expenses in a traditional way. Social capital – relationships, networks and cooperation is a way to the financial capital, a part of business model.

Corporate and social responsibility

The theatre leaders are attempting to regenerate the locality, estate or neighbourhood in which they are based. Theatre organizations communicate their aims in moral terms – they want to educate their spectator and get a new one as well. They organise different kind of events for children and youth in order to develop the society.

Investigate the use of quality benchmarking

The benchmarking process is standardly defined to include four parts, often undertaken continuously or through numerous iterations (Codling, 1998):

1. analyze the position you are currently in;
2. find someone who is performing measurably better;
3. learn from them what they are doing to achieve that performance; and
4. adapt your practices and processes as a result of that learning and thus implement relevant changes which will effect superior performance in your organization.

There is no quality benchmarking conducted between members of associations. However, insurance association members are benchmarked by members of another insurance market association – insurance brokers association. Since brokers are participants of the same insurance market, and work in close cooperation with insurers, they claim to be experts in the field. Some insurers refer to this evaluation in their annual reports. Theatre association knows they have to collaborate, but really does not work on experience exchange. Overall activities are chaotic, based on intuition not on knowledge, model or framework. Planning is informal and managers act on instinct, intuition and impulse.

According to the research it can be concluded that companies in Latvia's insurance and theatre industries have understanding about quality benchmarking, but they do not conduct benchmarking according to any model or methodology. The authors suggest the associations of the industries to conduct educational explanatory work to convince companies to participate in benchmarking, conduct comparison of quality criteria in order to ascertain which practices are achieving superior performance levels.

Application of the model into practice shows that theatre and insurance industries partly use the same approach on defining their own quality criteria. Tab. I summarizes the criteria in which they can learn from each other.

The authors conclude that the use of the EFQM model in practice contributes selected industries in several ways:

1. It is a clear and modern pattern how to structure benchmarking effort;
2. It is a unified approach to the issue of quality benchmarking within industry;
3. It helps to build benchmarking partnership on commonly comprehended basis;
4. It shows the same or different approach, understanding and application of EFQM model criteria;
5. Systematic design of the model helps evaluate particular industry to another industry and reveal opportunities for mutual learning.

Systematic design of the model helps evaluate particular industry to another industry and reveal opportunities for mutual learning.

Application of EFQM model to specific conditions of selected industries identifies current situation according to theoretical pattern, and through determination and identification shows how the applied model can contribute to the improvement of the industries.

I: *Comparison of EFQM model insight in insurance and theatre associations*

	Same approach	Different approach
Result oriented		X
Focus on client	X	
Leadership		X
Management of processes		X
Development of Human Resources	X	
Learning opportunity	X	
Partnership		X
Corporate and social responsibility	X	

SUMMARY

The objective of this paper is to determine the criteria of qualitative benchmarking in insurance and theatre industries in Latvia. Several methods were applied in this research. Case study method, where 3 in-depths interviews with heads of associations was conducted and industries' quality criteria have been defined by them. Desk research/ Literature research method was used to review the existing literature, and find the benchmarking models for measuring quality criteria, which can be applied in researched industries. The authors propose the EFQM model as a method how to organize and systematize quality benchmarking efforts in researched industries. According to the research it can be concluded that companies in Latvia's insurance and theatre industries have an understanding about quality benchmarking, but they do not conduct benchmarking according to any model or methodology. The research showed that the heads of the theatre and insurance associations differently understand the criteria of the EFQM model, and the key driving factors of the quality. Thus systematic design of the model helps evaluate particular industry to another industry and reveal opportunities for mutual learning. The authors suggest the associations of the industries to conduct educational explanatory work to convince companies to participate in benchmarking, conduct comparison of quality criteria in order to ascertain which practices are achieving superior performance levels.

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