



## BENCHMARKING AS AN INSTRUMENT FOR THE MANAGEMENT OF LOGISTICS PROJECT LOCATION IN URBAN AREAS

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**ABSTRACT.** The article discusses benchmarking as a method for improving the competitiveness of municipalities. The theoretical section outlines the possibilities which benchmarking offers to administrative authorities of urban areas with regard to the assessment and improvement of competitiveness of their respective areas being a prospective location for logistics projects. The practical section is focused on presenting results obtained in studies investigating promotional tools used by administrative authorities, and analysing the highest rated investment offers prepared by municipalities within the Wielkopolska province.

**Key words:** benchmarking, logistics projects, management, urban areas.

### INTRODUCTION

Imitation and the desire to catch up with others have been inherent to all areas of human activity. In economy, the phenomenon is inextricably linked to competition and rivalry. It is also a powerful factor promoting continuous skills improvement. Benchmarking is a method which involves comparing oneself to those who are the best, trying to perform at par with them, being oriented for the best segment of products or services and learning from one's competitors [Mikulski, Mikulska 2006]. The method, which is to be understood as an instrument employed to improve one's performance, should not be regarded as a miracle remedy allowing you to boost your competitive advantage. The innovativeness of the method rests primarily on comparisons drawn between an organisational unit and the best industry players, accompanied by an establishment of standards for the unit's immediate surroundings. Benchmarking always integrates existing solutions and management techniques, and only brings tangible effects if used consistently over a long time frame.

Local government institutions have been in place in Poland since the 1990s. Market economy conditions have forced local government units to compete with one another.

**The aim of the article** is to discuss competition strategies which can be adopted by towns and cities to attract outside investors. At the same time, the authors attempt to indicate the best practices of competitive rivalry through opportunities offered to investors. In this way, the authors wish to encourage other local government institutions to creatively imitate the best existing solutions.

## **BENCHMARKING AND COMPETITION BETWEEN LOCAL GOVERNMENT UNITS**

In all spheres of human endeavour there are leaders who have mastered certain practices to perfection. Their experience is worth studying to draw lessons that could be used to achieve competitive advantage. The method is based on learning the best practices from industry leaders. The central principle is not to copy ready-made solutions but rather imitate means of attaining them [Mikulski, Mikulska 2006]. The concept of benchmarking refers to activities undertaken by organisations to creatively emulate the best practices developed by other organisations in a specified area. At the same time, however, it should be noted that identification of units which could serve as good benchmarks might sometimes be difficult [Reider 2002]. There is never any certainty whether entities that agree to benchmarking analyses are indeed the best in the functional area being analysed. Furthermore, it should be borne in mind that there are no perfectly functioning organisations. It is highly likely that an organisation used as a benchmark has some areas which are managed worse than the corresponding areas in our organisation.

Benchmarking is currently a common practice not only among enterprises which compete on the goods and services market, but also local government units that vie for capital brought by outside investors.

According to specialist literature dealing with the topic, the most commonly applied benchmarking types [Brilman 2002] include internal benchmarking, competitive benchmarking, functional benchmarking and generic (horizontal) benchmarking. It seems that local government units, whose activity nowadays is not limited merely to performing their statutory competences, could benefit from using all benchmarking types enumerated above, though due to frequently unconstructive approach to the phenomenon of competition, competitive benchmarking can be largely opposed by local government officials because of their reluctance to disclose data related e.g. to the efficiency of their activities.

In order to ensure the best possible conditions for their residents, for entrepreneurs running their businesses in the municipality or other organisations operating there, local government institutions take actions which go markedly beyond their standard duties. One of the most important aspects handled by local government authorities is economic development. Particularly among municipalities, there is strong competition for economic development stimulants, mainly for locating within their territorial limits some infrastructural or manufacturing projects financed by external investors.

Observations made during the implementation of various programmes and projects, especially those related to structural transformations in municipalities and resulting changes in spatial planning [Pawlak 2004], show that a number of urban areas demonstrate a complete lack of awareness as regards potential improvements, either in the area of methodology or organisation. Being unable to make any comparison with other entities which pursue a similar line of activity, people in charge are often unaware of how poorly their administrative units, both within the central and local government structure, are run. Widely accessible opportunities of comparing oneself with similar organisational entities in a quick, simple and objective fashion could reverse this unfavourable phenomenon. It should be emphasised that the idea has recently been embraced by practically all EU countries.

Local authorities often take a variety of activities in order to develop land under their administration. In this aspect, the role of projects initiated by local government authorities to stimulate the local social and economic growth is unquestionable. Empirical studies prove that they play a very important part in attracting investors to particular localities. Municipalities are naturally interested in projects implemented by outside investors. New investment projects are of vital importance, as they generate new jobs and increase the municipality's income (from taxes, including real property tax and a share in personal and corporate income taxes). Other benefits include changes in land development, establishment of outside relations (particularly with foreign units) or implementation of modern technologies. Successful performance of one enterprise can attract other investors to the area, thus

contributing to a local economic revival [Budner 2007]. Consequently, attracting outside investors is seen by many municipalities as one of the key goals of their development strategy.

It must be noted, though, that the extent of influence which municipalities may have on business location decisions taken by enterprises is rather limited. Many factors which determine business location are beyond the control of the smallest local government units. These include: geographical setting, locally available labour force and workforce quality, or the purchasing power of the local population. On the other hand, there are certain business location determining factors that can be influenced by municipalities. Such aspects include the provision of local technical infrastructure (and appropriate infrastructure quality), high standards of customer service at local offices or local tax relief). Therefore, local government institutions which are keen on enticing outside investors invest in technical infrastructure themselves and strive to improve the quality of customer service at local administration units (e.g. through implementing quality management systems). Such activities translate directly into an improvement of the local economy competitiveness, making the area more attractive from the point of view of potential investors.

The extent of influence of local government authorities on business location decisions taken by outside investors is otherwise relatively limited. However, despite the small impact on investor behaviour, local authorities should not behave passively. General concern with the development of technical infrastructure can often prove more effective than any direct involvement in activities aimed at attracting new investment, even though initially it may not seem to bring any tangible effects. Moreover, the decision-making process frequently involves situations where the investor must choose between a number of potential localities for their business which have similar geographical characteristics, comparable production costs, etc. In such scenarios, the decisive factor could be the attitude of local authorities or population to foreign capital or the quality of service provided by local administration offices.

## **PRACTICAL APPLICATIONS OF BENCHMARKING IN INTER-MUNICIPALITY COMPETITION**

Years 2006-2008 saw the implementation of the research project on "Investigation of the supply of investment sites in different municipalities of the Wielkopolska province", launched at the Department of Quantitative and Spatial Sciences of the Poznan School of Logistics. One of the goals of the project was to facilitate contacts between prospective investors and municipalities. An appropriate presentation of the available supply of investment sites is likely to deliver a better positioning of the offer of Wielkopolska municipalities. This, in turn, would promote more effective management and strengthen the local economy. Above all, however, the municipality would then be encouraged to engage in an active and prominent information policy. In addition, increased awareness and self-assessment capabilities, coupled with the encouragement to use benchmarking within one region (community) could be an important stimulus to improve the quality and effectiveness of investment promotion pursued by municipalities. All questionnaires submitted for the study were analysed to select the most active municipalities, including those with an extraordinary keen interest in a proper placement of their investment offer on their own initiative. A thorough analysis of underlying mechanisms and factors determining investment success in these municipalities made it possible to create a set of units serving as "models to be followed" in benchmarking analyses.

In addition to an analysis of factors determining business location and a qualitative and quantitative assessment of land earmarked for greenfield projects held by respective municipalities, special attention was given to the promotional aspect. In order for municipalities to be able to attract outside investors, it is not enough to have unoccupied stretches of land that could be zoned for greenfield-type projects. The available grounds must be properly prepared and provided with necessary infrastructure. What is more, their legal status should not raise any objections. In addition to having land zoned for prospective investment, it is vital for municipalities to disseminate relevant information among potential investors, so that they could become interested in the investment environment they are

offered. It was also found that the preparation of an appropriate offer, and its promotion, are very important stages in the complex process of investment acquisition. Consequently, the study also focused on the quality of investment offer prepared by different municipalities. Materials sent by local government units were assessed according to the following criteria: completeness of information about real property and its surroundings; form of its preparation and presentation. Attention was also paid to the diversity of offers developed by municipalities, making it possible to target investors representing various industry branches. An analysis of techniques adopted by municipalities to reach prospective outside investors followed. The form of offer presentation was also analysed, particularly in the context of the most popular mass media, focusing on the most interesting and original promotion methods and channels used for distributing information about the municipality's offer for investors and data concerning the municipality itself, which could be useful to potential investors.

Table 1. Highest-ranked investment offers prepared by towns of the Wielkopolska province  
Tabela 1. Najwyżej notowane oferty inwestycyjne przygotowane przez miasta Wielkopolski

s/n	Content and qualities of the investment offer	Buk	Konin	Leszno	Poznań
1.	Contact information of municipal office	1	1	0	1
2.	Special visual layout of the offer	1	1	1	1
3.	Map of the municipality showing the location of the real property zoned for investment	1	1	1	1
4.	Map representing the real property concerned in close-up	1	2	1	1
5.	Land plot designation	1	1	2	1
6.	Real property area	1	1	1	1
7.	Description of real property location within the municipality	1	0	1	2
8.	The real property land use function in the local area development plan	1	1	2	2
9.	Current use of the real property	0	0	1	1
10.	Form of sale	1	1	0	1
11.	Date of tender procedure (if applicable)	1	0	0	0
12.	Real property price	1	1	0	1
13.	Infrastructure available within the plot	1	2	1	1
14.	Real property owner	0	0	1	1
15.	Land and mortgage register number	0	0	1	1

Legend: 0 - no feature present/no information available in the offer,  
1 - the feature present/information available in the offer,  
2 - feature very well presented in the offer.

Source: own study based on investment offers supplied by municipalities.

Municipalities of the Wielkopolska province use a wide variety of information channels. Often they are not restricted to just one method of disseminating information and promoting their investment sites, and apply several methods at the same time. The most popular medium is the Internet. Among all municipalities which have land zoned for greenfield investments, a total of 77.6% seek potential investors via their own web site, while 29.3% make use of Internet portals of other institutions. 43.1% of municipalities apply direct marketing tools targeted at investors. This points to the desire to acquire investors representing specific industries, with desirable profiles of activity to match the needs and plans for future development of the municipality. A large number of municipalities (36.2%) showcase

their offer at investment trade fairs and similar events which gather potential investors and representatives of local government institutions. In order to attract investors, 19.0% municipalities use services provided by the Investor Assistance Centre or other institutions such as the Polish Information and Foreign Investment Agency or Wielkopolska Agency for Enterprise Development (as in Leszno). 15.5% municipalities hire outside companies to disseminate information about their investment sites. For example Turek, a town located in the Wielkopolska province, makes use of marketing opportunities offered by the Łódź Special Economic Zone, as it has its branch offices located in Turek. By the same token, investment sites available in Ostrow Wielkopolski belong to the Kamienna Gora Special Economic Zone. There are also municipalities which opt for information channels associated with more traditional marketing. 17.2% municipalities advertise their investment offer in local and trade press. An interesting example is the city of Poznan which uses such information carriers as hoardings.

Information obtained for a number of municipalities makes it possible to present investment offers of those local government units which prepared their promotional materials in the most comprehensive manner. The assessment given below applies to those investment offers which received high grades for the amount of information relevant for prospective investors and attractive means of presentation (Table 1).

## **CONCLUSIONS**

Constant changes are observed in the contemporary social and economic reality, including the area of operation of local government units. Strong competition is increasingly taking place not only among enterprises that vie for customers' attention and financial resources. Municipalities also compete with one another in order to encourage investors to bring capital to their area. They also want to create the most favourable conditions of running business operations for investors. One of the means to achieve this aim is effective management of their resources. At the same time, municipalities should pay due attention to the need to advertise and they should play to their strengths. Consequently, local government units make increasing use not only of tools offered by territorial marketing, but also opt for traditional marketing solutions. By using benchmarking principles in the form of instruments increasing the effectiveness of actions taken with regard to their resources, successive municipalities are able to use the experiences gathered by other territorial government entities and introduce the best, already well-proven, solutions in their area. In preparation of investment offers, this increases the municipalities' attractiveness as potential locations for business projects. Studies have demonstrated significant differences between investment offers prepared by different municipalities. The group of municipalities that were otherwise superbly prepared to accept potential investors also included those which, despite having land zoned for greenfield projects, failed to promote them in any way. By outlining the best practices in this area, the authors wish to encourage other local government entities to use benchmarking techniques, i.e. creative emulation of good solutions. Investment offer preparation is just one example of an activity where benchmarking can be used. The article can also serve as a source of information on various methods of promoting grounds earmarked for business projects applied by various municipalities of the Wielkopolska province. Hopes are high that the authorities of local government units will become more eager to make use of the broad variety of marketing and management instruments in multiple fields of their operation.

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## **BENCHMARKING JAKO NARZĘDZIE ZARZĄDZANIA LOKALIZACJĄ INWESTYCJI LOGISTYCZNYCH W OBSZARACH ZURBANIZOWANYCH**

**STRESZCZENIE.** W artykule wskazano metodę benchmarkingu, jako sposobu do poprawy konkurencyjności gmin. Część teoretyczna opisuje możliwości jakie daje władzom administracyjnym obszarów zurbanizowanych zastosowanie benchmarkingu do oceny i zwiększenia konkurencyjności swojego obszaru jako miejsca lokalizacji inwestycji logistycznych. W części praktycznej zaprezentowano wyniki przeprowadzonych badań narzędzi promocji, wykorzystywanych przez władze administracyjne oraz najwyżej ocenione oferty inwestycyjne spośród gmin województwa Wielkopolskiego.

**Słowa kluczowe:** benchmarking, inwestycje logistyczne, zarządzanie, obszary zurbanizowane.

## **BENCHMARKING ALS INSTRUMENT DES MANAGEMENT VON LOGISTIKSTANDORTPLANUNG IN URBANEN GEBIETEN**

**ZUSAMMENFASSUNG.** Der Beitrag beschreibt das Benchmarking als eine Methode zur Verbesserung der Wettbewerbsfähigkeit der Gemeinden. Der theoretische Teil präsentiert die Möglichkeiten, die das Benchmarking den Verwaltungsbehörden für urbane Gebiete zur Beurteilung und Verbesserung der Konkurrenzfähigkeit ihrer Grundstücke als Logistikstandorte anbietet.

Im praktischen Teil werden Ergebnisse der durchgeführten Untersuchungen von Promotionswerkzeugen, die von den Verwaltungsbehörden genutzt werden, sowie die am besten benoteten Investitions-Angebote der Wielkopolskie Woiwodschaft dargestellt.

**Codewörter:** Benchmarking, Logistikprojekte, Management, urbane Gebiete.

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