



Evaluation and Benchmarking Performance of Dairy Industries Around Addis Ababa



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Submission: July 30, 2019; **Published:** October 02, 2019

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Abstract

The simplest one-phrase response to the definition of benchmarking would include reference to learning from others or learning something new and bringing new ideas into the business. To know the weakness and strong way of once business company or organization benchmarking tools winning moves and probe are preferable method. The large and medium scales dairy industries found around Addis Ababa were purposely selected to benchmark and evaluate their performance in financial and best practices by benchmark index system act 1998(DPA) software online and analyzed. From the interpretation of all parameters of financial(customer; process; learning and growth; manufacturing; operation; performance) and best practices(their plans for the business and capabilities to manage their fulfillment, generating business, working with employees, doing the work, new markets developing products and services and managing money), finding out of all companies was done and feedback is given to them. The general strongest and weakness of large and medium enterprises identified from the comparison group. The action plan to improve the weakness and maintain the strong way of companies was done. The beneficiary of this study, stake holders and the companies themselves, identify the problem of the sector and they can collaborate each other to improve the sector. For development of industries for the future they can see their business status from time to time by the direction given for them and to overcome their weakness either in technology or marketing they can do joint venture with other similar or different business organizations.

Keywords: financial; customer; process; learning and growth; manufacturing; operation; best practice

Introduction

Benchmarking is the practice of being humble enough to admit that something else is better at something, and wise enough to try and learn how to match or even surpass them at it. According to Spendolini [1], the simplest one-phrase response to the definition of benchmarking would include reference to learning from others or learning something new and bringing new ideas into the business. Borrowing the good ideas of others is what benchmarking is all about [2]. The danger of borrowing the good ideas of others is that a strategy that worked well in one organization may bomb in yours [2]. In Ethiopia, in the food-manufacturing sector particularly dairy industry sector, continue to contribute significantly to their economies, alongside the rapidly growing services sector. These dairy industries are a core engine of national growth, supporting the food services and food retail sectors, while creating further value for their respective economies. In order to enhance the effectiveness of the entire value chain, it is crucial for food-manufacturing dairy products to collectively share and compare their business performance with each other in order to identify common gaps and improvement

points in their organizational systems and processes. Besides continuous improvement, the use of comparative and benchmark data helps the sector to achieve breakthrough improvements. For these purpose benchmarking is the one method and strategic process that will enable the dairy industry sector to establish and stretch goals and develop action plans to enhance their competitiveness. A process of effective decision-making that results in continuous improvement of management 'practices' and operating 'processes' within the business [3]. Benchmarking reports should work like a decathlon scorecard. They should identify not only those events in which you are strong and those in which you are weak but also your overall score. Looking only at one event, such as a yield parameter, can mislead. A balanced scorecard showing strengths and weaknesses is needed [4].

The Balanced Scorecard is an approach to strategic management that was developed in the early 1990s by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton (Balanced Scorecard Collaborative). Recognizing some of the weakness and vagueness of previous management approaches, the Balanced

Scorecard provides a clear indication as to what companies should measure in order to 'balance' the financial perspective (which was already comprehensively measured), with other aspects of business performance. The Balanced Scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the Balanced Scorecard transforms strategic planning from an academic exercise into a powerful and pragmatic approach to improve performance. This benchmark uses measures within that have been carefully selected to provide a balanced view of the performance and to link cause-and-effect issues to help determine those practices that are contributing to superior performance and those that are not. We can't improve what we don't measure. According to Robert [5] in a wide variety of firms, benchmarking has proven to be the instrumental process in their turning unproductive operations into efficient, profitable ones.

Statement of problem

There are several governmental and nongovernmental stake holders those supporting dairy industry developments with different strategic methods. But, to enhance their supporting on the sector the main problem and gaps of the dairy industries should be identified to make the sector competitive within and between other sectors. The owners and supportive stake holders are beneficiary from this research.

Objective

Evaluating and benchmarking performance of dairy industries around Addis Ababa

Specific Objectives

- a. To find out the gaps of dairy industries of the around Addis Ababa and put the direction for monitoring and continuous improvement.
- b. To know the status of the sector comparing with the same business bench marked.

Scope

The scope of this research includes large and medium dairy products manufacturing industries financial and best practices performance comparing with the same business level industries

bench marked on the world. Data collection based on the primary and secondary standard questionnaires of probe network LLC and winning moves Ltd covering the four perspectives of financial, customer, process and learning and growth, operational for comparative and benchmarking analyses. The data and best practices information was useful for improving the productivity and performance of dairy industry sector under the food manufacturing sector.

Methodology

Data collected:

- a. Part A: Financial, Customer, Process, Learning and growth perspectives of two accounting years of 2017 and 2018 profit and loss from balance sheet was collected.
- b. Part B: best practice performance of the company's situation done to bring the financial result concerning to the following seven sections were gathered: -

Their plans for the business and capabilities to manage their fulfillment

- i. Generating business
- ii. Working with employees
- iii. Doing the work
- iv. New markets
- v. Developing products and services
- vi. Managing money

Data Collection Method

The financial perspectives data were collected directly from profit and loss and balance sheet of the two accounting years while best practice performance perspective data gathered by assembling and debating the teams/ financial managers, production managers, supervisors, marketing managers, general managers and workers/ together from each companies selected from large and medium scales and after they agreed on the point all data were scored to get the real data performance.

Data Analyses Method

The two financial and best practice performance perspectives data were put in benchmark index system act 1998(DPA) software

Table 1: Financial Performance perspective of large, medium and small scales.

no	Parameters	Ratios	Status of companies against comparison group	
			Large scales	Medium scales
			Maximum sample size 29	Maximum sample size 27
Financial Perspective				
1.	Making Enough Money	Net Profit Margin (%)	Strong	Weak

			Return on Capital Employed (ROCE) (%)	Median	Weak
			Fixed Costs as a Percentage of Sales (%)	strongest	strongest
			Staff Costs as a Percentage of Sales (%)	strongest	strong
2.	Financially stable		Acid Test (#)	strongest	ISSS
			Creditor Days (#)	Weak	Weakest
			Debtor Days (#)	Median	strongest
			Gross Gearing (%)	Median	No data
3.	Productivity		Profit Before Tax Per FTE Employee (€)	Median	Weak
			Total Turnover Per FTE Employee (€)	Weak	Weak
			Value Added Per FTE Employee (€)	Weak	Weakest
4.	Growing at the right rate		Net Profit Growth (%)	ISSS	Weak
			Sales Growth (%)	strongest	strongest
Customer perspective					
5.		Managing its customer relationships effectively	Customer Growth (%)	strongest	Weak
			Complaints Per Order (%)	Weak	Weak
			Delivery Schedule Deviation (%)	Weak	Weak
			Percentage of Orders Rejected During Warranty	Weak	Weakest
Internal process perspective					
6.		Managing its resource efficiently	Energy Costs to Turnover (%)	Insufficient sample size	strong
			Water Costs to Turnover (%)	Insufficient sample size	strongest
			Waste Disposal Costs to Turnover (%)	strongest	strongest
			Stock Turnover (#)	strongest	Median
7.		Being managed in the future mind	Capital Investment to Turnover (%)	Weakest	strongest
			Research and development Expenditure to Turnover (%)	Weakest	Weakest
			Marketing Expenditure to Turnover (%)	Weak	Weakest
			Total ICT Expenditure Per Employee (€)	Weak	Median
8.		Innovativeness	Percentage of Export Turnover (%)	Weakest	Weakest
			Percentage of Total Turnover from New Products	Weakest	Weakest

			Percentage of New Products and/or Services (%)	Weakest	Weakest
9.		Manufacturing its products efficiently	Assembly Setup Time (Mins)	Median	Median
			Production Schedule Adherence (%)	weak	Weak
			Scrap or Yield Loss Rate (%)	Median	Median
			Product Lead-Time Per Order (Days)	strongest	Strongest
			Not Right First Time (PPM)	weak	Median
10.		Managing its suppliers properly	Percentage of Supplies Delivered on Time (%)	weak	Weak
			Percentage of Sub-standard Supplies (%)	weak	Weakest
11.		Managing its people effectively	Average Staff Cost Per Employee (€)	Strong	Strong
			Training Expenditure to Turnover (%)	Median	Weakest
12		Motivation of the staff	Accidents Per FTE Employee (#)	weak	Weak
			Absenteeism Per FTE Employee (#)	Median	Weak
			Total Leavers Per FTE Employee (%)	Strong	Weakest



Figure 1: Overall Practice versus Performance Scatter Diagram of medium scales companies.

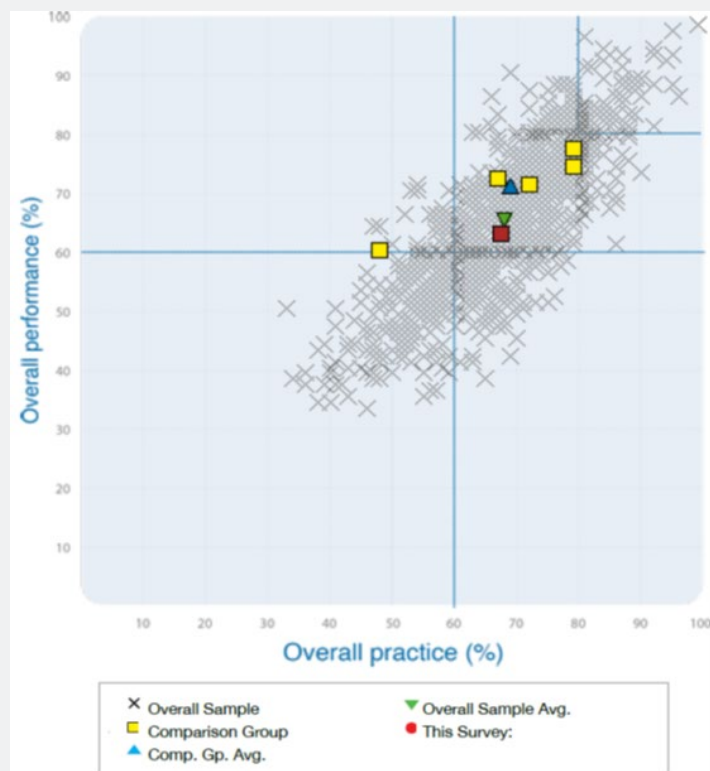


Figure 2: Overall Practice versus Performance Scatter Diagram of large-scale companies.

Result and Discussion

Figure 1 Indicates that on the scatter diagram, the red square shows this probe survey and green triangle the overall sample average (average of the green crosses). The yellow squares identify other businesses in particular comparison group (such as a sector: the comparison group is identified in the bottom row of the chart's title). The blue triangle is the average for the comparison group. Figure 2 Indicates that on the scatter diagram, the red square shows this probe survey and green triangle the overall sample average (average of the green crosses). The yellow squares identify other businesses in particular comparison group (such as a sector: the comparison group is identified in the bottom row of the chart's title). The blue triangle is the average for the comparison group Table 1.

Note: ISSS- insufficient sample size, %- percentage, #- number/not money/, €- pound /money/, mins- minutes, ppm- parts per million, ratios explained.

Conclusion

The key findings that emerge from the benchmarking analysis of large scales of companies

They were financially stable because their acid test and gross gearing was almost more than average. But, managing their creditors shows that low. Resources managed effectively in case of waste disposal costs per turnover and stock turn over were very good except energy and water cost per turnover shows

that very low against the comparison group. The companies were manufacturing their product efficiently except production schedule adherence and not right first time. The people were managed properly, and staffs were motivated. The companies did not manage their resource efficiently comparing to comparison group except Customer Growth rate which was seems better. They were not productive due to Profit before tax, total turnover and value added per FTE employee is too low. The companies were not managed their future in mind because of research and development, marketing expenditure were low. The companies were also not innovative due to no new products were introduced and no turnover from new products. They were not managed their suppliers properly because percentage of supplies delivery on time was very low and percentage of substandard supplies too high. Complaints per order, delivery schedule deviation and percentage of orders rejected during warranty period were too high. Complaints per order, delivery schedule deviation and percentage of orders rejected during warranty period was too high. This means they were not good in customer managing.

The key findings that emerge from the benchmarking analysis of medium scales of companies

They run their business with long term vision and financial plan even though their future aspiration of finance for long term aim versus capability needs improvement. Manufacturing products efficiency was good except production schedule adherence which was not met. Even though net profit was low, sales growth was very good. The companies manage their resource

efficiently. Very good in capital investment and ICT expenditure. But, the research and development expenditure and marketing expenditure to turn over were low. Staff Cost per employee was good but, low training expenditure. Not financially stable and managing customer relationship effectiveness not good. No new products were introduced thus why they were not innovative. Suppliers were not managed properly. Companies productivity measured low and overall staffs were not motivated (Productivity and production). Products were not customer oriented or not met customer demand (customer management). Long creditors day (poor suppliers managing). Poor Staff rewards system and performance management.

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DOI: [10.19080/JDVS.2019.13.555871](https://doi.org/10.19080/JDVS.2019.13.555871)

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