This paper attempts to examine the concepts of policy transfer and benchmarking. It provides a critical review of the underpinnings of both concepts and tries to demonstrate similarities between them. Political scientists define policy transfer as a process of learning in which government policy makers (of various kinds) across the globe observe the responses of their counterparts to similar problems. Policy transfer encompasses various activities through which knowledge is used in the development of policy anywhere in time or space. In marketing, benchmarking is defined as searching for best practices that lead to better or even excellent performance. In other words, it is a structured procedure that analyzes a process to find improvement opportunities. Based on empirical studies of the privatization of Malaysia Airlines (MAS) and marketing excellence in the Malaysian small and medium enterprises (SMEs), the authors attempt to discuss similarities between policy transfer and benchmarking and identify basic criteria that underpin them.

**KEYWORDS:** Policy transfer, benchmarking, lesson drawing

Policy transfer is not a new phenomenon in public policy. The idea of undertaking cross-national research in an attempt to improve national policy is centuries old and has its roots in the work of classical Greek philosophy. Aristotle studied the constitutions, political institutions and practices of various city-states in an attempt to derive general political principles of civic betterment. Plato’s discussions of the ideally just state analyzed and criticized several definitions of *justice* in order to arrive at its *real* meaning. Nowadays, policy makers all over the world draw lessons from both their own country’s experience and the practice of other nations in seeking the best practices for the betterment of their own. Policy transfer may be viewed as a generic term that covers a wide variety of forms of policy development such as policy diffusion (Majone, 1991), policy learning (Haas, 1992), policy convergence (Bandelow 2007; Holzinger & Christoph, 2005; Coleman, 1994; Bennett, 1991) and lesson drawing (Rose, 2005, 1991). These all refer to processes of learning in which government policy makers (of various kinds) across the globe observe the responses of their
counterparts to similar problems (Evans, 2007; Evans & Davies, 1999).

Benchmarking is a process of identifying the highest standards of excellence for products, services, or processes, and then making the improvements necessary to reach those standards – commonly called ‘best practices’ (Bhutta & Huq, 1999). It is seen as a tool for improvement, achieved through comparison with other organizations recognized as the best within the area. In short, it is an essential tool for continuous improvement of quality (Maine, Bronet & Pillet, 2005). The philosophy of benchmarking is that one should be able to recognize one’s shortcomings and acknowledge that someone is doing a better job, learn how it is being done and then implement it in one’s own business (APQC, 1996). The inherent notion is to make a careful comparison of a company process with the same or a similar process at another company or division of one’s own company and thereby benefit mutually from the comparison. Typical objectives might include product and thereby process comparison, forecasting techniques, generating new ideas, developing performance targets, and input to strategic planning. In a competitive market place, quality improvement tools and practices (such as benchmarking) can help align organization’s key business processes (such as delivery, productivity, responsiveness to customer needs, etc.) to achieve higher customer satisfaction, business competitiveness and bottom-line results (Cassell et al., 2001; Chin et al., 2001; Brah et al., 2000; Drew, 1997; Elnathan & Kim, 1995).

Clearly, a similarity exists between the definitions of policy transfer and benchmarking. Both are considered tools for improvement which are achieved through comparison with other organizations /countries recognized as the best within the area. The concepts provide an external focus to business firms, organizations or even countries and force them to look at what their competitors or neighbors are doing. Thus, they are forced to examine their competitive advantage while at the same time to bring the other processes up to the mark with those of their competitors. In short, policy transfer and benchmarking raise the standard of competition in an industry or political environment.

POLICY TRANSFER AND BENCHMARKING

Policy Transfer: Drawing Lessons from Elsewhere

Policy transfer is a form of policy development, just like policy diffusion, policy learning, policy convergence or even lesson drawing. According to Dolowitz and Marsh (1996), the various concepts referred to above have no significant differences, since they all refer to the transfer of knowledge about policy from one place at a particular time to another place and time. Dolowitz and Marsh argue that policy transfer, emulation and lesson drawing all refer to a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and / or place is used in the development of policies, administrative arrangements and institutions in another time and / or place. Evans identifies two further elements - delivery systems and sectors - in his definition of policy transfer. He argues that policy transfer is a generic concept which refers to a process in which knowledge about institutions, policies or delivery systems at one sector or level of governance is used in the development of institutions, policies or delivery systems at another sector or level of governance (1999, 30). Looking across the borders often provides potential solutions to problems in many areas and also provides a way of dealing with the problem quickly and at lower cost (Stone, 1999). Globalization, for instance, has been one of the leading mechanisms that lead governments to learn how to govern more effectively (Dolowitz, 2006).

Bennett (1991) emphasizes the important distinction between knowledge of a foreign program, utilization of that knowledge and the adoption of the same program. Rose (1991) argues that the main issues to be considered in lesson drawing are the circumstances and the extent to
which a program that is effective in one place transfers to another. Rose further argues that policy makers can seek lessons by looking across time as well as across space. The process of lesson drawing starts with the process of scanning a program that is effective elsewhere and evaluating whether that program would be transferable to another setting. Rose (2001) even outlines ten steps that must be taken in order to draw lessons from other countries and what to do with what is learned after returning home: diagnosing your problem; deciding where to look for a lesson; investigating how a programme works there; abstracting a cause-and-effect model for export; designing a lesson; deciding whether to import; dealing with resource requirements and constraints; handling the problem of context; bounding speculation through prospective evaluation and using foreign countries as positive or negative symbols.

**Benchmarking: Finding the Best Option**

Internal benchmarking and transfer of best practices is one of the most tangible manifestations of knowledge management – the process of identifying, capturing and leveraging knowledge to help the company compete (Elmuti 1997). Sharing and transfer of knowledge is also tangible evidence of a learning organization – one that can analyze, reflect, learn and change based on experience. Before one can transfer knowledge or best practices, it is necessary to define and find them. Of course, the organizations have always had mechanisms, from R&D experts and technical audits to internal conferences, intended to identify and spread practices. Best practice cannot just be imposed because, according to Boxwell (1994), not all processes work for all companies. One cannot simply pick up a ‘best practice’ and surgically implant it in one’s own organization. One has to look at the way things are being done, the culture prevailing, the human resource employed to do the job, etc., before one can adapt a process. This is the main crux of the benchmarking methodology, that is to adapt the process from leading companies to one’s own organization. Bhutta and Huq (1999) propose seven types of benchmarking as seen in Table 1.

<table>
<thead>
<tr>
<th>Types</th>
<th>Definitions</th>
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<tr>
<td>Performance benchmarking</td>
<td>Comparison of performance measures for the purpose of determining how good our company is as compared to others</td>
</tr>
<tr>
<td>Process benchmarking</td>
<td>Methods and processes are compared in an effort to improve the processes in our own company</td>
</tr>
<tr>
<td>Strategic benchmarking</td>
<td>The study is undertaken when an attempt is being made to change the strategic direction of the company and the comparison with one’s competition in terms of strategy is made</td>
</tr>
<tr>
<td>Internal benchmarking</td>
<td>When comparisons are made between departments/divisions of the same company or organization</td>
</tr>
<tr>
<td>Competitive benchmarking</td>
<td>Is performed against ‘best’ competition to compare performance and results</td>
</tr>
<tr>
<td>Functional benchmarking</td>
<td>A benchmarking study to compare the technology/process of this type of benchmarking to become the best in that technology/process</td>
</tr>
<tr>
<td>Generic benchmarking</td>
<td>Comparison of processes against best process operators regardless of industry</td>
</tr>
</tbody>
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(Bhutta & Huq, 1999, p. 257)
The Benchmarking Wheel

As described before, benchmarking is a continuous process and follows the PDCA (plan, do, check, act) cycle. The first phase concentrates on the various decisions to be made. This includes the selection of functions or processes to benchmark. It also chooses the type of benchmarking study to embark on. The second phase focuses on a self-study in order to characterize the selected processes using metrics and documenting business practices. In addition, data on the company which is the benchmarking partner are collected. The third phase attempts to analyze any gap (positive or negative) that exists between the benchmarking company and the benchmarking partner. The final phase is to execute a decision; either to maintain positive gaps or close negative gaps.

Benchmarking can be carried out in many stages. Some companies may have used up to 33 stages whereas some only experienced four stages. For example, Xerox identifies a ten-step process in its benchmarking methodology which includes identifying what is to be benchmarked; identifying comparative companies; projecting future performance levels; communicating benchmark findings and gaining actions and monitor results; and recalibrating benchmarks (Camp, 1989). Kodak uses the following six-step benchmarking process: identifying what to benchmark; establishing teams; identifying partners and identifying critical measures; collecting data; gap analysis; and feedback and review (Geber, 1994). Bhutta and Huq (1999) propose a fundamental process evaluation that reveals five major components of a benchmarking process, linked together and called benchmarking wheel as follows:

Stage 1: Plan the study. The company’s top management or benchmarking study team will decide what to benchmark. The decision is based on the organization’s critical success factors in which the company will benchmark processes that are aligned with its strategic direction.

Stage 2: Form the benchmarking team. This stage involves the identification of team members. They will go through a proper training on benchmarking. The team will then develop a plan that includes responsibilities of each member, project milestone and date of completion based on the benchmarked elements or processes.

Stage 3: Identifying partners. At this stage, the team will identify companies which are considered as world class by the business community as its benchmarking partner. For example, many companies choose Malcolm Baldridge Award winners as benchmarks. Candidate companies are be briefed on potential mutual benefits for both parties, which generally serve as a strong incentive for participation.

Stage 4: Collect and analyze information. This stage is considered as crucial in a benchmarking process. During this stage, data is collected, analyzed and compared with the benchmarking organization, thus, strategies for improvement can be identified.

Stage 5: Adapt and improve. During this stage, the benchmarking company will try to adapt the other company’s best practices and at the same time implement specific actions for improvement. As mentioned before, the above five stages are the basic steps a company has to go through while benchmarking. Whether a benchmarking process can be carried out in 10, 20 or five stages, the essence remains the same.

Policy Transfer and Benchmarking: Two of A Kind

Obviously, policy transfer and benchmarking are two similar approaches aiming to improve a country’s or an organisation’s performance and competitiveness by identifying and adopting the best practices from others. This mechanism of searching for the best model to improve performance is not only limited to the fields of politics and business. In fact, it is applicable in many other areas of life like health, information...
technology, education, community service and international organizations. They are continuously searching for the best solutions to solve their domestic problems while trying to improve their performance. It is a process of applying knowledge about a programme in one country or organization to the design of a programme in another which requires professional skills. Just as a civil engineer must exercise professional judgment when deciding how to build a bridge in a specific terrain for a specific purpose, so too policymakers must make professional judgments based on technical knowledge when deciding to what extent a programme elsewhere can be adapted for use at home (Rose, 2001).

Stephen Padgett (2003), for example, examines the influence of the UK model on an international organization like the European Union (EU) in the power sector. He identifies the institutional variables shaping the transfer process and the impact on the transfer outcome paying particular attention to the axis between the UK as ‘first mover’ and the institutional variables governing the capacity of the latter to secure adoption of the model without compromising its essential features. Freeman (2007), through its public health study, reveals that a key element of what they do is piecing together, assembling and literally making sense of different bits of information and experience, often creating something new from what they have acquired secondhand. In 2004, Japan restructured the state-directed public university system to create the national university corporations (NUCs). Goldfinch (2006) proves that policy transfer provided a means by which the Ministry of Education, Culture, Sports, Science and Technology (MEXT) of Japan could legitimate its policy stance by referring to developments elsewhere; show it was responding to pressure for reform by adopting its rhetoric and superficial forms; but use this to harness the policy agenda to achieve its own ends. Canton (2006) provides an account of a project to develop the community supervision of offenders in Ukraine and attempts to identify some of the influences that shape penal policy and practice that should be taken into account by any transfer endeavour.


This paper, however, employs the policy transfer network approach proposed by Evans and Davies (1999) as the prime example to show the process of drawing lessons from a privatization policy used abroad by the Malaysian government. The benchmarking wheel by Bhutta and Huq is used to illustrate a model of marketing best practice for small and medium enterprises (SMEs) in Malaysia. This step-by-step discussion aims to elaborate how and why policy transfer has taken place in both cases.

THE POLICY TRANSFER NETWORK APPROACH: ANALYSIS AND DISCUSSION

The policy transfer network approach is a multi-level, multi-disciplinary approach for understanding policy transfer (Evans & Davies 1999). Evans and Davies argue that it is useful to break down the process of transfer into 12 stages as revealed in Figure 1 for analytical reasons. The process of transfer can break off at any point after search and still result in a form of transfer.
Process of Transfer

1. RECOGNITION
   economic crisis, globalisation, modernisation, policy failure, electoral change, conflict, legitimation

2. SEARCH
   regime, international, transnational, national, regional, local

3. CONTACT

4. EMERGENCE OF INFORMATION FEEDER NETWORK

5. COGNITION & RECEPTION

6. EMERGENCE OF TRANSFER NETWORK

7. ELITE AND COGNITIVE MOBILISATION

8. INTERACTION

9. EVALUATION

10. DECISION ENTERS POLICY STREAM

11. PROCESS

12. OUTCOME

Figure 1: The emergence and development of a policy transfer network

(Evans 1999: 30-48)
This approach is chosen as a framework for investigating the process and implementation of privatization of Malaysia Airlines (MAS) (Mokhtar, 2007). MAS was the first government-owned entity to be privatized in Malaysia in 1985. The approach provides the appropriate tools for examining a process of policy development and policy change of this form and type in Malaysia. It also provides a rigorous validation sequence which is extremely useful for evaluating whether a process of transfer has really occurred or not. Moreover, policy transfer is concerned with policy making and the policy-making process in Malaysia. It is used as the framework for examining the emergence and development of privatization programs in Malaysia and for evaluating whether it is a useful form of policy development in the country.

**The Process of Policy Transfer**

As Evans and Davies note, “policy transfer networks are an ad hoc, action-oriented phenomenon set up with the purpose of engineering policy change” (1999, p. 376). These networks exist only for the time that a transfer is occurring. Their existence is therefore crucial because, without them, other policies might emerge and be adopted. As shown in Figure 1 above, the process of policy transfer can be broken down into twelve stages.

The *recognition* stage begins when there is such dissatisfaction within an existing policy system at a spatiality of government that the need for policy or system change emerges. Dissatisfaction plays a determinant role for policy makers because “dissatisfaction is evidence that something has gone wrong, but it does not tell policy makers what they ought to do” (Rose 1991, p. 10). Domestic economic factors and the global economic crisis constituted the main push for the government to adopt privatization policy. The fact that MAS had already been operating as a company made it the prime candidate for privatization. The new leadership that assumed office in 1981 was optimistic about the private sector’s ability to participate constructively in the nation’s economic recovery.

The *search* stage occurs when there is no acceptable alternative response or solution to the pressing problems that require attention. This may lead an agent to engage in a regime, international, national, regional or local search for policy ideas. The newly elected prime minister rejected the idea of nationalization and believed in the dynamism of free enterprise. According to him, “even when they are monopolies they cannot seem to earn their way, much less pay tax or dividends to the owner – the Government” (Mohamad, 1984, p. 4). At the same time, a significant ideological shift towards neo-liberal epithets occurred resulting in privatizations worldwide, including in such developed countries such as Britain and Canada as well as in several developing countries such as Turkey, the Republic of Korea and Bangladesh (Butler, 1985). In addition, at the international level, organizations such as the International Monetary Fund (IMF) and the World Bank advocated less state ownership and intervention. Thus, the Malaysian government believed that privatization was the solution to its deteriorating economic problems.

All agencies and parties involved in any privatization process had to consider engaging consultants in the process of privatization. The merchant banks would be in a position to provide expertise on how to establish the corporate structure for privatization, expediting the incorporation of companies, preparing prospectuses, valuations and in matters involving mergers, acquisitions and take-overs (Economic Planning Unit 1985, 23). Furthermore, their expertise in indicating the timing of the issuing of shares, sources of finance and financial options for financing the company’s plans for privatization (for example, financing through equity, bonds or securities) was also required. In the case of MAS, the Malaysian International Merchant Bank (MIMB) was chosen as the official consultant for the project of the privatization of MAS on the basis of its reliable and well-known expertise in dealing with similar projects. This is called the *contact* stage of policy transfer.

The next stage is called the *emergence of information feeder network*. It identifies the
emergence of an information feeder network which is developed by the principle agent of transfer. In this case, it was MIMB. The curiosity of the client (the Malaysian government) is heightened through the preliminary processes of contact. Thereafter, it is crucial for the agent to increase both the volume and the detail of information for the client by demonstrating the quality of their access to communication and knowledge networks in order to facilitate further opportunity structures for transfer.

According to Evans and Davies (1999), during the cognition, reception and the emergence of a policy transfer network stage, the client evaluates the information that has been provided through the information feeder network. Involvement in the game is entirely dependent on the resources possessed by an agent of transfer. It is here that some key normative questions are raised about the legitimacy of this form of policy development such as how accountable policy transfer networks are (Evans, 1999). At this juncture, the government formed special committees, namely, the Inter-Departmental Committee on Privatization (IDC), the Privatization Task Force (PTC) and the Technical Committees (TCs) to evaluate the feasibility study submitted by MIMB, taking into consideration several criteria in examining the viability of MAS to be privatized.

The process of elite and cognitive mobilization is critical to the success of the transfer network. The agent is expected to provide detailed information about programs elsewhere which have addressed a similar problem. The agent refers to elected officials, professionals, policy entrepreneurs, administrators, bureaucrats, political parties, think tanks, pressure groups, academics, international organizations and experts (Dolowitz, 1999; Stone, 1999; Rogers, 1995). In this case, MIMB outlined two basic approaches on the basis of its feasibility study of MAS: first, to put a percentage of the equity of MAS as a whole into the hands of private sector investors; or second, to sell or ‘contract out’ constituent parts of MAS. In terms of raising equity from private sector investors, there were three choices: selling existing shares held by the government; bringing cash proceeds to the government; issuing new shares by bringing proceeds to the company, or a combination of the first two. In addition, MIMB identified three techniques which would allow the government to retain its influence: a golden share, minority shareholder or special classes of shares.

The next stage is interaction. The agent of transfer is expected to organize forums for the exchange of ideas between the client and knowledge elites with policy-relevant knowledge. Various contexts of interaction and countless meetings can be identified in this case study through which MIMB, the government and representatives from MAS debated issues of central importance to the privatization process. It was through these contexts of interaction that MIMB proved itself as the agent of policy transfer due to the strength of its knowledge and expertise of the privatization process.

The role of key governmental actors in evaluating the submitted proposals is also very significant at this stage. In this particular case study, the roles played by the special committees and the Cabinet were crucial in examining and evaluating the recommended program for the divestment of MAS. After the evaluation process, they made key decisions on the constituent elements that would ultimately constitute the specific program for the privatization of MAS and its implementation. This concludes the 12 stages involved in the process of policy transfer.

AN EVIDENCE OF BENCHMARKING

Haron (2002) conducted a study on developing a model of marketing best practice for small and medium enterprises (SMEs), employing a procedure of benchmarking. The study began with an exploratory work (case study) which was conducted earlier using a multiple source data collection method (Yin, 1994; Brewer & Hunte 1989). The objective of the exploratory work was
to gather secondary data on 12 award-winning SMEs companies; six from the Malcolm Baldrige Quality Awardees (MBQA) for SMEs and six from the European Federation Quality Awardees (EFQA) for SMEs. A semi-structured questionnaire was later developed based on the data as a guideline for the interviews with another eight award-winning Malaysian SMEs from the Enterprise 50 (E50) Award in Malaysia. This was done prior to designing and developing the model. The reason for the development of guidelines for the interview on the E50 award winners was that the secondary data was not adequate. The preliminary study involved two objectives: 1) to determine the common marketing and market orientation factors that lead to the success of the companies; and 2) to develop a best practice model based on the common factors.

The cases were subjected to cross-case comparisons in order to identify underlying generic similarities and differences between organizations, and systemic association between the variables. The multiple-case approach was adopted as it contributed to literal (similar pattern) and theoretical (different pattern) replication across cases. This approach allows patterns matching common to cases and theory to avoid chance association (Eisenhardt, 1991). In other words, the case study served in a manner parallel to multiple experiments, with similar results (a literal replication) or contrary results (a theoretical explication) predicted explicitly at the outset of the investigation. The replication logic allowed identification of the subtle similarities and differences within a group of cases as well as inter-group similarities and differences. This enables the “how” and “why” questions to be confronted and new concepts to be identified (Eisenhardt, 1991; Yin, 1994). The use of multiple case-replicated design is expected to be more compelling than the single case investigations because the findings of the study and the development of the model could be regarded as more robust.

The sampling frame for the case study approach is adopted from the winners of the MBQA and EFQA for SMEs whose criteria are widely accepted as a blueprint of market orientation. Such a sample helps to ensure that the surveyed organizations represent world class SMEs that employ market orientation philosophy at a reasonably high level. In this case, six award-winning SMEs from each type of award were being benchmarked. On the other hand, the Malaysian companies that are being benchmarked come from six winners of the E50 Award.

CONCLUSION

It is obvious that benchmarking and policy transfer are relatively similar mechanisms employed by organizations or countries in search of the best solutions to their problems. Problems are first identified, solutions searched, team members or elite networks chosen, plans and strategies identified and modified, evaluated and finally chosen strategies or programs adopted, officialized and implemented. In short, Table 1 below illustrates and simplifies the whole point.

Evidently, processes of both benchmarking and policy transfer endure the above stages at some points. In fact, both approaches prove to be useful tools for data validation which confirm that a transfer or non-transfer has taken place. Mokhtar (2007) demonstrates that ideas and concepts from a privatisation programme in the UK were incorporated into the divestment programme of MAS. The golden share, limitation on shareholdings and a general statement were elements drawn from the privatisation of British Telecom. Similarly, Haron (2002) develops a generic SMEs marketing excellence model which can be used as a benchmark for SMEs in practising marketing and proves to ensure sustainable competitive advantage. In sum, this paper has proven that benchmarking and policy transfer are two of a kind.
Table 1: Congruence of Policy Transfer and Benchmarking

<table>
<thead>
<tr>
<th>Policy Transfer (Evans &amp; Davies, 1999)</th>
<th>Stages in Benchmarking (Bhutta &amp; Huq, 1999)</th>
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<tbody>
<tr>
<td>1. Recognition</td>
<td>1. Plan the study</td>
</tr>
<tr>
<td>2. Search</td>
<td>2. Form the benchmarking team</td>
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<tr>
<td>3. Contact</td>
<td>3. Identify partners</td>
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<tr>
<td>4. Information feeder network</td>
<td>4. Collect and analyze information</td>
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<td>5. Cognition &amp; reception</td>
<td></td>
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<td>6. Emergence of a policy</td>
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<td>7. Elite &amp; cognitive mobilization</td>
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<td>8. Interaction</td>
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<td>9. Evaluation</td>
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<td>10. Decision enters policy stream</td>
<td></td>
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<td>11. Process</td>
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<td>12. Outcome</td>
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REFERENCES


