• RESOURCE GUIDE · HERMIT BUSINESS SOLUTIONS

Benchmarking for Small Businesses

*How comparing your numbers to others **helps you to spot the gaps and close them.***

Why this matters

Benchmarking sounds like something only large corporations do but the idea behind it is simple and useful for any small business. It involves comparing how you are doing against others, or against your own past performance, to see where you stand and where you could improve. Xerox popularised the practice back in 1983 and it has been a useful tool for good business management ever since. For a small business, it is a practical way to turn a vague feeling that something isn't quite right into a clear, measurable target.

What benchmarking involves

At its core, benchmarking means gathering data about other businesses in your sector to set targets and identify things that can be compared clearly. Once you know where the gaps are, the next step is to look at what better performing businesses or teams do differently and to adopt whichever of that best practice fits your own business.

The four types of benchmarking

- Internal benchmarking: comparing one team, branch or process against another within your own business.
- Functional or operational benchmarking: comparing a specific function, such as your invoicing process, against the best external practitioners of that function, regardless of their industry.
- Competitive benchmarking: gathering information about your direct competitors through customer feedback, published accounts and similar methods.
- Strategic benchmarking: looking at other businesses specifically to help make strategic decisions and organisational change, rather than day to day tweaks.

How the process works

- Identify the performance gap: where are you falling short and by how much?
- Weigh up the strategic impact: is closing this particular gap actually worth the cost and effort?
- Identify and implement the improvement: make the process or strategic changes needed.
- Keep the stimulus going: benchmarking works best as an ongoing habit, not a one-off exercise.

Why it's worth doing

- Shows that performance targets are realistic and achievable, not just wishful thinking.
- Helps you accelerate and manage change with evidence behind it.
- Supports genuine process improvement rather than guesswork.
- Keeps your focus on the external environment, including what your competitors are doing, rather than looking inward only.

THREE TRAPS TO AVOID

Don't fixate on what is currently being done. The real value is in looking towards future practice and potential improvement. Don't ignore the differences between your business and whoever you are benchmarking against (things like staff skills and structure matter). And try not to get defensive when the results aren't flattering - benchmarking is there to spot opportunities, not to assign blame.

What to do next

- Decide which activities in your business are actually worth benchmarking - not everything needs it.
- Look for a sensible comparator: a direct competitor, a similar business outside your industry or simply your own performance last year.
- Think through any confidentiality issues before you start gathering competitor information.
- Set one simple, measurable target and a date to check progress.
- Book a free chat with us if you'd like a hand setting benchmarks that fit your business.