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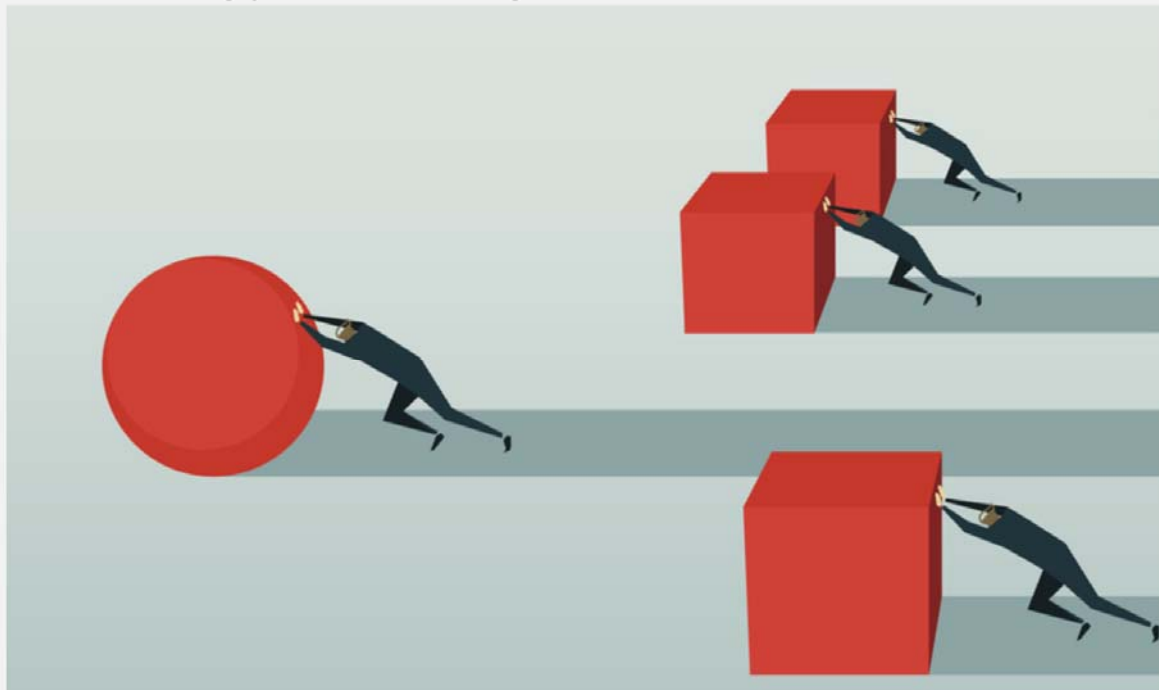
Keeping you on the front foot

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## Benchmarking your business against the best, and the rest



Benchmarking your business is more than a competitive exercise, it's a great way of identifying areas for improvement and innovation.



And in many ways, it's a case of taking your own advice, says the Financial Planning Association of Australia's Head of Policy and Government Relations, Ben Marshan.



"In the same way that it's important for individuals to have a financial plan, it's important for businesses to understand their own financial positions and put a plan in place to maximise value," he says.



For businesses selling a service, ensuring you're competitive in terms of cost to consumer and cost to deliver service is very important, says Marshan, because that affects profitability.



"So, benchmarking against your market and against other professional service businesses is important in getting your business plan right," Marshan says.

### Benchmarking tools

Thankfully, there are plenty of resources available to help compare your performance both within the financial advice sector and against other small to medium enterprises.

For a basic snapshot, you can start with the Australian Tax Office's small business benchmarks guide, which aims to help you compare your business's performance against similar businesses in the same industry.

The dataset includes tax returns and activity statements from over 1.3 million SMEs across more than 100 industries.

For a more tailored approach, Commbank's BetterBusiness Insights Reports analyse your data and compare it to companies in similar industries and locations to yours. The report also allows you to compare your performance over time and outlines key trends, challenges and predictions for your sector.

There's also a very thorough do-it-yourself Business Evaluation Guide, put together by CPA Australia, which steps you through developing a business evaluation model.

## Expert resources

But for a more professional and comprehensive benchmarking process, Marshan recommends bringing in an expert.

"Look for consulting services that offer business benchmarking surveys and services," he suggests.

"Alternatively, bring in a business coach or consultant who specialises in financial advice."

One consultancy that does just that is Business Health. Partner and Director Rod Bertino stresses the importance of qualitative benchmarking.

"Traditional benchmarking just looks at the profit numbers and compares those, but we encourage owners to go beneath and look at the behaviours that drive the numbers," he says.

Bertino lists the key qualitative characteristics that drive profit: client management capability, the way you manage staff and business planning.

"For example, we can quantify that those businesses that have a strong operational business plan are making 204 per cent more profit than those businesses that don't have an operational plan," he says.

To compare apples with apples, Bertino says consultants should be taking contextual factors – including your service-delivery model, business maturity, staffing size and revenue – into consideration.

"If you don't have quality data available then your ability to make strong, sound business decisions is jeopardised," he says.

## Benchmarking for better business

Once you know where you stand, what do you do with that information?

Marshan says, again, it's similar to the financial plan you put together for your clients.

"Once you know what you want to achieve and what your data points are, you can put a plan in place to increase the value of your services, make your practice more efficient, and generate more value and profit for your business," he says.

"You may need to look at ways to more efficiently acquire customers, make your advice process more efficient to reduce the 'cost to service', reassign head count to more profitable tasks, or change what you charge your clients."

Bertino adds: "Don't think you've got to make those decisions in isolation. Whether it's a business coach, a board of advice or someone you trust and respect to bounce ideas off, seek input from someone with some outside perspective."

You may well be at a point in your business where you could benefit from mentoring.

## Useful links

- Commbank's [BetterBusiness Insights report](#)
- Australian Tax Office's [small business benchmarks](#)
- New South Wales Business Chamber's [benchmarking how-to guide](#)
- Business.gov.au's [financial ratios guide](#)
- Australian Bureau of Statistics' [industry performance ratios](#)
- CPA Australia [Business Evaluation Guide](#)

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