



How Does Your Business Stack Up Against The Competition?

Businesses often have the perception that they are performing at above average or excellent in most areas of their business operations. Any business advisor, worth their weight in salt, should be able to clarify whether that perception is myth or reality. Industry standards are available to most of us in a variety of ways. Do you know how your company stacks up against your competitors on collections, profit margins and sales?

If asked, most advisors can make some general assumptions or suggestions for business improvements. However, being a business owner, I want data, documented proof that shows me how my business stacks up with the competition. I want this comparison to be with companies my same size (several ways to do this) and geographic area if possible. If you are not getting this advice or data, seek it out today.

Industry benchmarking is not a new tool, but greatly under utilized for strategic decision making, goal setting and identifying areas of needed improvement. Technology has been a true friend to us in this area. To match results with your industry specs, you can sort by SIC code (industry specifications). In addition, Bodilly CPAs & Consultants, LLP has access to one of the best national benchmarking databases, Fintel. Fintel was developed right in our backyard at the University of Wisconsin system with one of the most respected minds in business, Dr. Robert Pricer (see our web site at www.cpamadison.com for a link and more information).

Why do I talk about Fintel? This tool provides the needed documentation that is needed as a business owner. It will do a size/revenue comparison and even complete what-if calculations that use to take hours on a spreadsheet. As a firm that prides itself on business consulting, we have used this with several of our businesses to assist in what I call, “defining the reality gap”. Industry benchmarking is an excellent place to start when you review last year’s performance and set goals for next year. It allows you to focus on improving areas that will have the greatest impact. Areas that should be reviewed annually are:

- Cash Flow
- Growth Threshold
- Accounts Receivable/Payable Aging/Days
- Overhead Expense Ratios to Sales/Profit
- Net Profit
- Profit Margin Targets

Every business owner that I have talked to wants to be the best in their business and industry. Asking the question what is “the best?” is one thing; learning the answers and how to get there is what separates the successful companies from the surviving ones.

Industry benchmarking assists small businesses in making the best operational decisions quickly, simply and effectively. Knowledge is the first step to being competitive. Next you have to implement the changes needed to realize those improvements (but that’s another article in itself). Remember, what gets measured gets done! For more information contact Stephanie Barganz at 608-664-1047 or stephanie.barganz@cpamadison.com.