3x

Our research of Finance departments shows that top performers are about 3 times more efficient than average performers.

The Impact

1. Average companies spend 2 to 3 times more on the Finance department compared to top performers. This equates to $6 – $12 million annually in additional expense (per billion of revenue). For example, an average performing company with $5 billion in revenues could save $30 – $60 million annually.
2. Average companies take 3 times as long to close the books each month. This causes delays in internal and external reporting of 5 to 10 business days per month.
3. Top performing companies automate 3 times as many transactions. This is particularly evident in the Procure to Pay process where average companies have automation rates in the 20 – 30% range whereas top companies are 70% and higher.
4. Average companies have 3 times as many exception transactions. Examples are 2 way/3 matching errors, debit/credit memos and manual journal entries
5. Top performers manage Master Data more efficiently; they standardize master data across regions and business units for the chart of accounts, customers and vendors. This enables superior top down decision making by providing better information when looking at things such as spend management, comparing cost structures across regions or business units and it also provides a consistent level of service and information to global customers.

The Causes

The usual suspects include lack of IT support, a constantly changing organizational structure, lack of executive focus, a decentralized business model and the inability of the team to execute. It's not easy to be a top performer but I am certain if your CEO knew the potential hard dollar savings, they would be more than willing to help remove barriers.

Recommendations

Educate your CFO and CEO on the magnitude of the cost savings and cover these topics:

1. Identification of projects to tackle with fast ROI
2. Criticality of continuous process measurement
3. Importance of networking with the best performers
4. Necessity for sponsorship and involvement from executive leadership

Conclusions

Public company CEO's and CFO's are keenly aware of earnings per share. By correlating the opportunity in terms of EPS, you are more likely to get the desired buy-in to transform your company from an average performer to a top performer; thereby contributing to the success of your company and your own career.