Benchmarking: How do you know you are successful and secure?

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• CFO for NWFA 7 years
• Prior experience
  • Public accounting 3 years
  • Private accounting 5 years
  • For-profit and non-profit businesses
  • Auditor in various industries including manufacturing
What is benchmarking?
What is benchmarking?

- Benchmarking article
  - [www.hardwoodfloorsmag.com](http://www.hardwoodfloorsmag.com)
    - Find other helpful articles
    - Subscribe to the magazine

- Benchmarking is comparing
  - Financial metrics
  - Operational metrics
  - Compare to self over time
  - Compare to others

«Being at least as good as the leader is a prerequisite to being competitive.»
— Peter Drucker
What are you benchmarking?

- **What are your top benchmarks?**
  - Key performance indicators (KPI)
  - Leading and lagging
  - Decision making
    - Thin margins
    - Technology

- **Your benchmarking stories**
  - During Q&A lets hear about your benchmarks
Benchmarking success story
«Game management is accomplished by staying constantly alert and then reading and reacting to potential problem situations before they materialize. It all boils down to paying attention to details.»

Jim Evans, MLB umpire
Key Performance Indicators (KPI)
KPI dashboard

**Financial Performance Dashboard**

**Revenue YTD 2016**

- Target: $30.0M
- $23.5M YTD

**Global Financial Performance**

- Accounts Payable Days: EUR = 38

**Quick Ratio | Current Ratio | Debt-to-Equity**

- 1.9:1 (Quick Ratio Target: 1.00 or higher)
- 2.5:1 (Current Ratio Target: 2.00 or higher)
- 0.7:1 (Debt-to-Equity Target: 0.50 or less)

**Short Term Assets**

- Cash
- Investments
- A/R

Past 12 Months
KPI types

**Financial**
- Gross profit margin
- Quick ratio
- Funds management ratio

**Operational**
- Customer satisfaction
- % of waste
- Throughput

**External**
- Housing starts
- Exports/Imports
- Raw goods cost
KPI examples

• D&B indicators for demand of wood products in October 2018 compared to same period in 2017
  ▪ US durable goods manufacturers’ shipments of wood products rose 3.7% YTD
  ▪ The value of US nonresidential construction spending rose 5.2% YTD
  ▪ The value of US residential construction spending rose 4.9% YTD

Data from the Dun & Bradstreet First Research Report on Wood Product Manufacturing Industry, dated January 14, 2019
KPI examples

- D&B financial ratios for the wood product manufacturing industry
  - Gross margin = 22.8%
  - Quick ratio = .87
  - Net income = .3%

- Look for resources available to you
  - Financial advisor or CPA for market reports or benchmarking ideas
  - Associations or other networks that exist to support your success
    - NWFA offers market reports for members
    - Support the health of your industry
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“If you know the enemy and know yourself, you need not fear the results of 100 battles.” — Sun Tzu
Q&A and your stories