Benchmarking analysis

Providing insight into your company’s performance
Benchmarking analysis: bringing you valuable insights from leading practices

Delivering business value through benchmarking

EY’s benchmarking analysis is an integral part of the EY private client audit experience. It allows us to better understand your business and to bring you valuable insights from leading practices.

Using our expertise, which is gained from a long history of working with organizations similar to yours, we can:

• Compare business processes and performance measures to leading industry practice
• Provide quantifiable data and objective insights that can be leveraged to enhance your business

When performed by your EY audit team, benchmarking often reveals improvement opportunities.

What is EY’s benchmarking analysis?

EY’s benchmarking analysis provides insight into your company’s performance by comparing financial and related data from similar organizations. It often reveals potential improvement opportunities in:

• Size and cost of the finance function
• Efficiency of financial reporting processes
• Internal controls
• Working capital
• Effective tax rate

EY’s benchmarking analysis compares key performance metrics from these and other areas of the finance function to data from a broad base of similar organizations. The information comes from a database of financial and operational metrics owned by APQC, the leading provider of independent, high-quality benchmarking data.

This means that EY’s benchmarking analysis can be tailored to your industry sector, your size, your location — your peer group.
What does it all mean?

Comparing data is one thing, but what about interpreting it to your benefit? This is where the knowledge and experience of your EY audit team comes in. EY’s benchmarking analysis considers a variety of your company’s metrics. The output of the analysis is a report containing key findings along with a full list of the metrics used. What you get from an EY benchmarking analysis is a better understanding of:

- How your company compares with its peers in key measures
- Opportunities to achieve cost savings
- Opportunities to increase the effectiveness of specific business processes, as well as the company’s internal control framework

So, how do you use the benchmarking report to make the business better and help it grow? It will include observations, of course, but we will invite you to have a deeper conversation with the EY team about the benchmarking analysis findings and our insights about what you can do with them.

What are the steps?

These are the steps the EY team will take to complete your company’s benchmarking analysis. First, we will conduct a briefing with your team about the scope of the benchmark analysis. Then we will:

- Provide a data collection template for your team to complete
- Validate the collected data
- Conduct our analysis
- Draft the benchmarking report, including observations
- Review the results with your team and discuss next steps

Here is an example of how key findings would be shared in a report:

From the graphics below, we can see that despite a strong automated finance system (shown by the low percentage of manual journal entries), it seems to take a relatively high number of days to produce monthly reports. The working capital benchmarks suggest that considerable savings could be made in cash collection and inventory turns.

Observations:

- The time taken to produce monthly reports is high for this size of company in this sector. However, we are aware that ABC Limited is interested in having robust commentary included in the monthly reports, and this may explain these metrics to a certain extent.
- The total inventory turns metric is significantly worse than the lowest performers in the industry, and the day sales outstanding (DSO) is worse than the median point. This suggests there is a significant improvement opportunity in working capital.
- If ABC Limited could achieve the median DSO position, this would be an improvement of 8 days in cash collection amounting to US$7m. However, this could be increased to US$18m (21 days), if ABC achieved the same performance as the top of the industry.
What to expect next

We will discuss with you the details and timing of your company’s benchmarking analysis when we meet to understand your expectations and scope of services related to our audit. It is our experience that the best time to conduct the analysis is when we are performing interim audit procedures.

We will also present improvement opportunities that are identified at the conclusion of the audit. Other findings will be shared with you as soon as they are available.

Our commitment to you as your auditor is that we will continue to build on our understanding of your organization and your business and reinforce the trust you have placed in us. We are ready to provide you with benchmarking that helps address your specific issues.

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