



How well did we really do?

A CEO sits at her desk, smiling as she reviews the company's financial reports for the past year. The company's sales were up 6% and profits were up 4.5%. Why shouldn't she be happy? Her company had obviously grown in the past year and that is an indication of success, right? Maybe.

How truly successful was this company if its industry saw sales growth of 9% and watched profits jump 11%? By comparison, the company still raised its sales and profits, but actually fell behind its competitors in the industry.

If the CEO had benchmarked her company against the industry figures, she clearly would have been less impressed with her company's financial reports and seen the need for greater improvement. The utilization of benchmarking tools can not only reveal how successful a company has been in the past but can also reveal areas where improvements should be made for the future.

By analyzing all areas of a business, including performance ratios, that same CEO can take calculated steps to grow profitability and get a clear picture of her company's competitive standing. By comparing only the company's past year's results with its prior year's report, a false sense of satisfaction can be the result. On the other hand, if you benchmark your company's performance part of your industry and see that you are doing much better than an average group of your competitors, there is truly a reason to celebrate!

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