

The background of the entire page is a high-angle, aerial photograph of the New York City skyline at night. The Empire State Building is the most prominent feature, standing tall in the center with its spire illuminated. Surrounding it are numerous other skyscrapers, their windows glowing with warm yellow and orange light. The city extends to the edges of the frame, with the Hudson River and East River visible in the distance under a dark, cloudy sky.

**auxis**

# **Finance Benchmarks:** **Prophecy or Pretense?**

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*A New Edition to Address Today's Challenges*

## A Detailed Approach to Using New Benchmark Data to Optimize Your Finance & Accounting Organization

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Benchmarks can help you identify areas of opportunity to restructure your Finance & Accounting (F&A) organization, reduce staff, automate, and revise focus, all part of today's "marching orders" for finance executives. **But are all benchmarks created equal?** Do general industry benchmarks reflect the specific characteristics and dynamics of your business?

In this update of our best-read whitepaper, we provide a **detailed approach to using the latest benchmark data** to identify **opportunities for improvement** in your Finance & Accounting organization. We provide guidance on what **level of benchmarking performance you should target**, and **which benchmarking metrics provide good insights** into the Efficiency and Effectiveness of your department.

We also offer actionable **real-world examples** of how we have been able to use benchmark data to **develop operational strategies for performance and cost improvement** for our clients.

Read on to learn how to use benchmarking metrics to turn your F&A department into a Modern Finance Organization.



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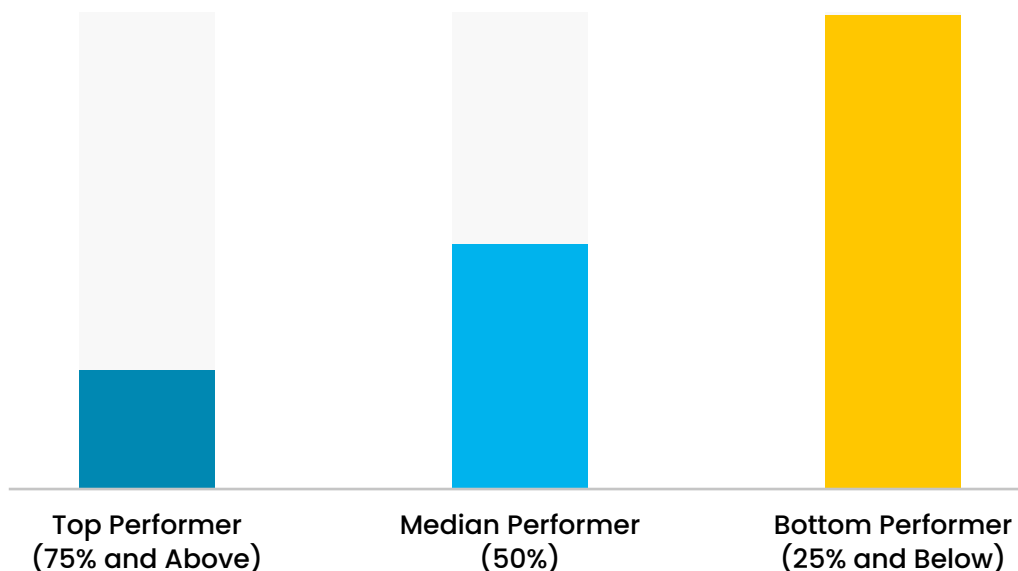


## Levels of Benchmarking Performance

There are many resources out there that can provide benchmark data, including data that is segmented by various business demographics (industry sector, revenue size, geography, public vs. private, etc.). But to use benchmarking effectively, **you need to find the proper alignment of business traits.**

For example, comparing a publicly traded, consumer goods organization to a privately held professional services firm is not going to present an effective comparison. Similarly, a \$50B retail organization and a \$500M manufacturing organization have very different operating characteristics and resources.

And within those benchmarks, there are various levels that need to be understood to determine where you are today, and where you want to get to. Most benchmarking organizations like the American Productivity & Quality Center (APQC) break down their data into some variation of:



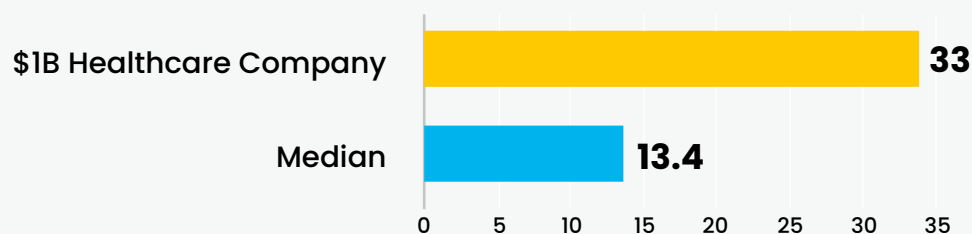
*Where you are situated compared to those benchmarks is based strictly on quantifiable data and **doesn't necessarily account for additional complexities within your operation.***



For example, consider a **\$1B healthcare organization with an Accounting department of 33 people** that was staffed more than 2x higher than the industry Median Performer benchmark of 13.4 FTEs (see figure 1, below). It was categorized as a **Bottom Performer**.

But is this an “**apples-to-apples**” comparison?

### # of Accounting FTEs (Prior to Optimization)



The company in question has more than 70 clinic-type locations that generated its revenue, compared to other healthcare organizations that were comprised of a few large hospitals. The more geographically diverse organization had additional operational and regulatory complexities, significantly higher transaction volumes, and overlapping staff at the various locations driving additional headcount.

Just comparing the data without understanding the underlying business characteristics would not be an effective form of analysis.



## What is the “Right” Level of Benchmarking Performance?

Once you understand and account for the business characteristics, what is the right performance level to aim for?

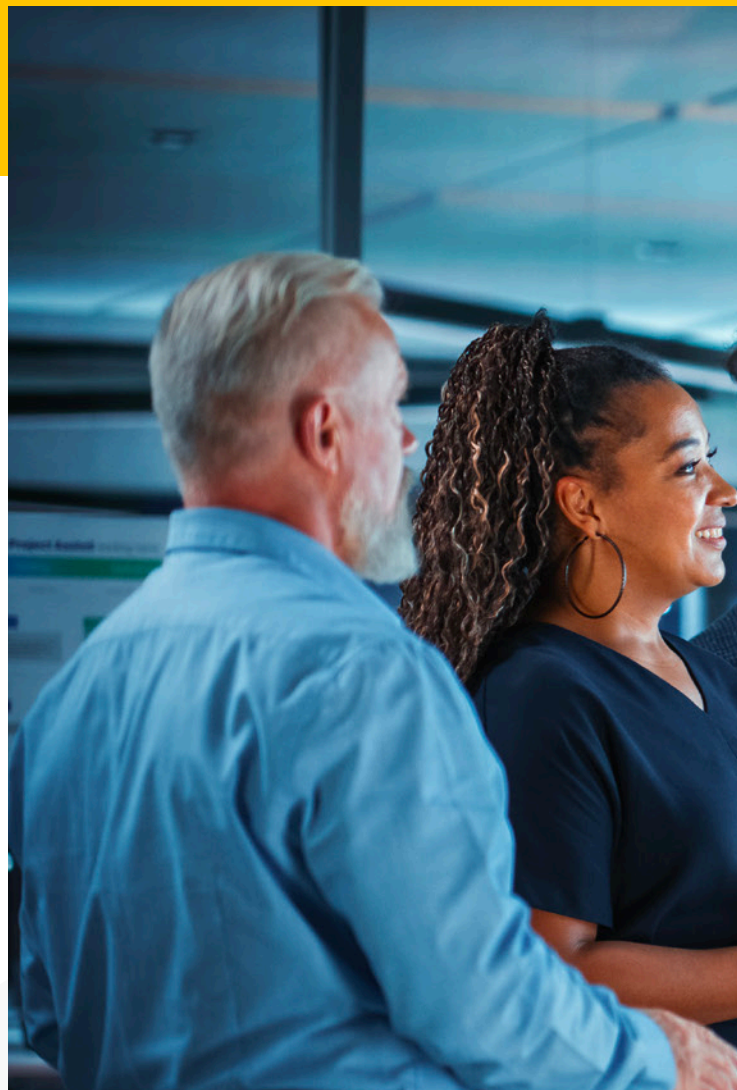
Most people would naturally want to target the Top Performer level as their goal, but **is this realistic?**

When you look at the characteristics of a Top Performer, you will likely find an organization that has consolidated, centralized, and standardized its business processes and systems, limited the number of variations and exceptions in its transactions, simplified its business rules, and implemented automation solutions to reduce the amount of manual work being performed. **It has made significant investments in its operation, and the ROI was considered sufficient to warrant that investment.**

“Top Performer” sounds like a great place to live, doesn’t it? **But can you afford the mortgage and upkeep?**

Most F&A departments are happy to be “moving on up” from the tenements of Bottom Performer to the more upscale Median Performer neighborhood. **Realistically, Median is where most organizations find themselves (hence the term), and if you are not there yet, it is a great (and attainable) goal.**

If you are at the Median Performer level, then it becomes a question of ROI: **Is it worth investing in the technologies, process changes, and organizational restructuring needed to elevate your performance level?** It can be costly and difficult to get there, so carefully consider your drivers and expected outcomes and payback before embarking on this path.



## A Balanced Set of Key Performance Indicators (KPIs)

According to APQC, considered one of the world's foremost authorities in benchmarking, best practices, and process and performance improvement, top-performing organizations traditionally have maintained a significantly lower operating cost than lower performers in their industries. Using the Total Cost to Perform the Finance Functions as a Percentage of Revenue, Top Performers operate their finance organizations at 0.7% of revenue, compared to Bottom Performers at 1.5% (APQC "Interactive Finance Organization Tune-Up Diagnostic October 2023").

For a \$1B organization, that represents a lower annual operating cost of \$8M. That's a lot of accountants! The introduction of digital technologies and AI have helped these organizations further reduce their operating costs by another 15-20%.

Benchmarking your organization should focus on a number of different performance-based elements that can be summarized under the headings of **"Efficiency"** and **"Effectiveness."**





## Efficiency Metrics

Traditional Efficiency metrics focus on the **number of FTEs** (full-time equivalents) performing various tasks, comparing organizations based on their industry and revenue size.

Why should industry and revenue size matter? It's all about volumes and complexity. It is assumed that higher-revenue companies will perform a larger number of transactions, necessitating more people to manage them.

Additionally, certain industries typically have more complex transaction types, again necessitating more people to perform these tasks. For example, a manufacturing and distribution company selling to big box retail customers will have more operational complexity than a professional services firm selling to the same customers. **“Apples-to-apples” comparisons are important when it comes to benchmarking.**

Other Efficiency metrics focus on **productivity and performance**. For example, in Accounts Payable, the number of invoices processed per FTE is a traditional Efficiency metric. Similarly, for General Accounting, the number of balance sheet accounts being managed by an FTE, or the number of days to close the books and produce financial reports for Accounting, helps to measure the efficiency of the organization.

For Accounts Receivable, the number of receipts processed by an FTE is a good Efficiency measure. There are many other examples of Efficiency metrics that can be applied to your organization.







## Effectiveness Metrics

Traditional Effectiveness metrics focus on the **operating cost** for the various functions, such as the Personnel Cost to perform the activities within a function, and the Total Cost to perform these activities. Personnel Cost is based on the fully loaded cost of the people within the team doing the work, so there is a direct correlation to the Efficiency metrics listed above. Total cost includes both the Personnel Cost as well as other items, such as the cost of the systems infrastructure needed to run the function.

Other Effectiveness metrics focus on the **quality of the performance** of activities. Examples of quality-based Effectiveness metrics include the accuracy of invoice processing and payments for Accounts Payable, Days Sales Outstanding (DSO) for Accounts Receivable, and the percentage of errors in journal entry processing.

The performance differences between organizations can be dramatic. For example, a top-performing AP organization processes 3x more invoices in a month than a Bottom Performer (APQC “Interactive AP Tune-Up Diagnostic, July 2024”). APQC reports a 53% variance in DSO between Top and Bottom performers (APQC “Interactive AR Tune-Up Diagnostic, July 2024”).

There is a 100% delta between Top and Bottom performers when it comes to the number of days needed to close the books!



## Which Metrics Should I Use?

In the Marx Brothers movie *Cocoanuts*, Chico Marx is “helping” Groucho raise bids in a phony land auction by bidding up, countering any bids received with a higher bid. The only problem was that Chico was bidding himself up. He’d say \$100, and after Groucho confirmed the bid, he’d counter with \$200. When Groucho questioned him on it, he said, “Don’t worry boss, I got plenty of numbers left.”

That’s what a benchmarking exercise can feel like. There are literally hundreds of benchmarking metrics that you can apply across your organization. APQC, for example, provides more than 150 measures for the General Accounting, Accounts Payable, and Accounts Receivable functions alone! Some metrics are very precise, targeting specific activities within a function, while others

provide a broader, overall perspective on organizational performance.

No one metric is the “magic” number, but **using a balanced set of metrics** that look at both the Efficiency and Effectiveness of your organization will provide you with good insights into your operation.

If you are just getting started on your assessment journey, and are looking for an understanding of how well your organization is performing and want to start targeting optimization opportunities, I would recommend you focus on these sets of metrics (by function):

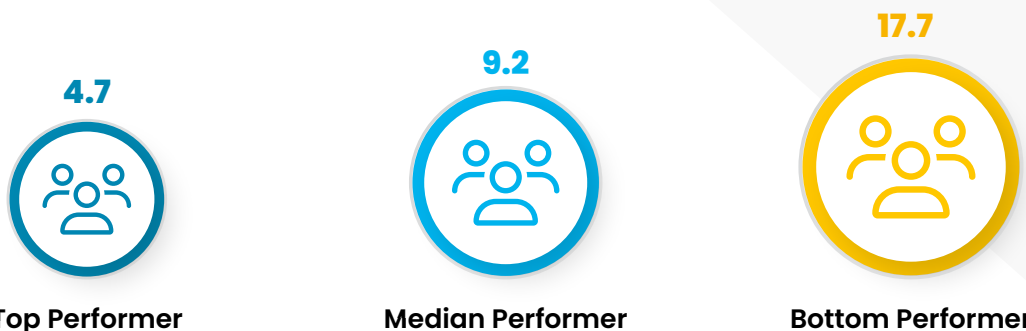
NOTE: *all metrics below are provided by APQC*



### General Accounting and Reporting

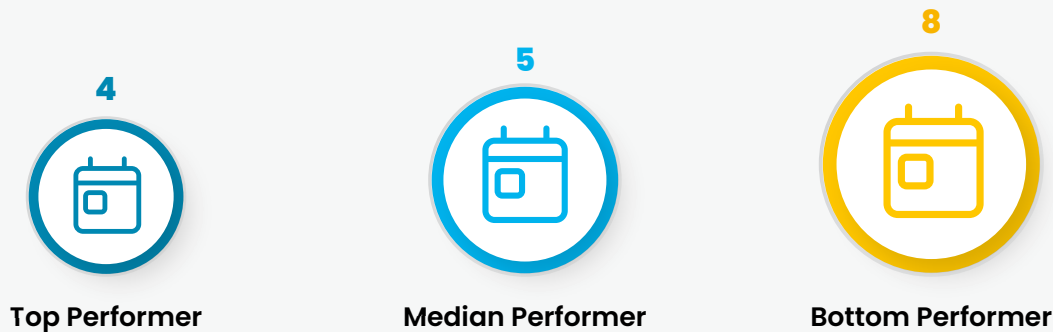
For General Accounting and Reporting, **key Efficiency metrics** include:

#### Number of FTEs Performing the Function Per \$1B Revenue\*



*\*Interesting Note: There has been a ~16% reduction in headcount across the board since 2019, likely due to the introduction of automation and other enabling technologies.*

### Number of Days to Complete Consolidated Financials



Other good Efficiency metrics include the **Number of Journal Entries Processed Per FTE** or **Number of Accounts Managed Per FTE**. What you want to do is use the FTE metric to see where you stand overall from an efficiency perspective and then use a secondary Efficiency metric to **measure where people are spending their time**.

If your **headcount is high**, and there are certain activities where **more FTEs are focused and the performance levels are low**, you have identified an **area of opportunity** within the function.

**And here's a helpful hint: look outside the function for people working on similar activities.**

We typically conduct an **Activity Survey** to categorize where people across the entire Finance & Accounting department are spending their time. You would be surprised at how fragmented an organization can be, meaning the number of people doing the same work across the department.

Reconciliations and journal entry processing are common activities that are being done inside and outside of the F&A department. If you can reduce the manual work performed on these activities, you can free up resources throughout the organization.



Key Effectiveness metrics within General Accounting and Reporting include:

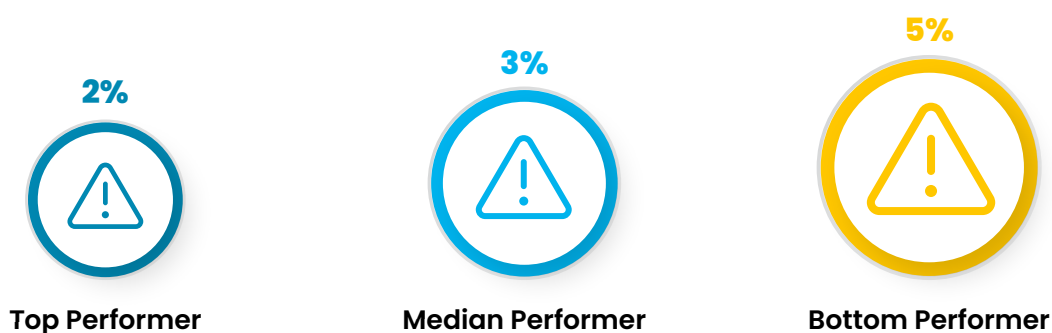
### Total Cost to Perform the General Accounting and Reporting Process



The Total Cost to perform General Accounting includes the Personnel Cost, plus all other elements of the operation (systems, overhead, administrative costs, etc.) For benchmarking purposes, I prefer to use Personnel Cost because it is often difficult to segregate the detailed operational cost of the F&A Department from other departments, and Personnel Cost is something we can directly address by reducing headcount, for example. You may not be able to reduce the cost of systems or other overhead items.

Notice the large difference between Top and Bottom performers in this area. It is a function of many things, including automation, operational complexity, process standardization, and more robust controls.

### Percentage of Journal Entry Line Items Processed With Errors



Other good Effectiveness metrics can include **Manual Journal Entry Line Item Percentage or the Number of GL Accounts Managed Per FTE.**

But always **consider the context of the organization** when applying benchmark data.

In recently working with a \$500M CPG organization, we determined that the company's closing cycle was 50% longer than their BOTTOM-PERFORMING peers. However, the company was privately held with no outside debt or investors, and the CEO/Owner was not demanding shorter closing cycles since he was very close to the numbers and knew pretty much what was coming even before financial reports were issued. This is a very different situation than if the company was publicly traded or had outside investors to report to.

However, in speaking with the Accounting team, it was determined team members were spending so much time performing and managing closing activities that they had very little time to analyze and provide insights into the company's financial performance. Even though the organization didn't require a shorter closing cycle for regulatory reasons, providing it with automation to facilitate the close (e.g., automated account reconciliation tool, journal entry workflow and document storage, financial closing management suite) would provide a significant operational benefit that could not be measured through traditional benchmarking data.

This point made the company reconsider the impact of improving the closing process.





## Accounts Payable

For Accounts Payable, key Efficiency metrics include:

### Number of FTEs Performing the Function Per \$1B Revenue



### Number of Invoices Processed Per FTE Per Month





As you can see, there is a significant disparity between Bottom and Top Performers, using these metrics. This gives you a good idea of the **impact of automation** on AP invoice processing, as the more “touchless” your invoice processing is, the more productive your organization will be overall.

An interesting point to note is that when comparing this data to 2019 data, we have seen a 30% increase in processing productivity for Bottom Performers and an 18% increase for Median Performers, while Top Performers remain largely unchanged. This is likely a testament to the democratization of automation technology, as most organizations today have incorporated at least some elements of this into their AP operating model, compared to five years ago when it was basically only found in larger, more sophisticated operations.

As the technology has become more mainstream (and costs have to a certain extent come down), the impact of these tools is dramatic.

Remember, however, that within AP there are **other activities being performed** by the team that take up their time and effort, so addressing AP invoice processing productivity is only one piece of the puzzle.





Payment processing, vendor inquiries and support, master data administration are all parts of the AP processing function.

Additionally, the number of invoice exceptions, whether they are due to system issues (i.e., EDI “kickouts”), lack of standardization in business rules, allowable pricing variances outside of the system, etc., will all cause additional work for the AP team that impacts their productivity and efficiency. Even the best AP automation tools cannot resolve unmatched invoices that require research and updating.

Other good Efficiency metrics include the **Number of Invoice Line Items Processed Per FTE** or **Number of Disbursements Processed Per FTE**. Some metrics, such as Cycle Time From Receipt of Invoice Until Approved and Scheduled for Payment or Days Payable Outstanding (DPO), may not be truly reflective of AP performance. There are numerous external dependencies with these metrics, such as how long it takes for invoices to be approved for payment by departments, or whether the organization is managing cash and not releasing payments immediately.

As always, consider the operating environment and the circumstances within the organization before applying benchmark metrics.

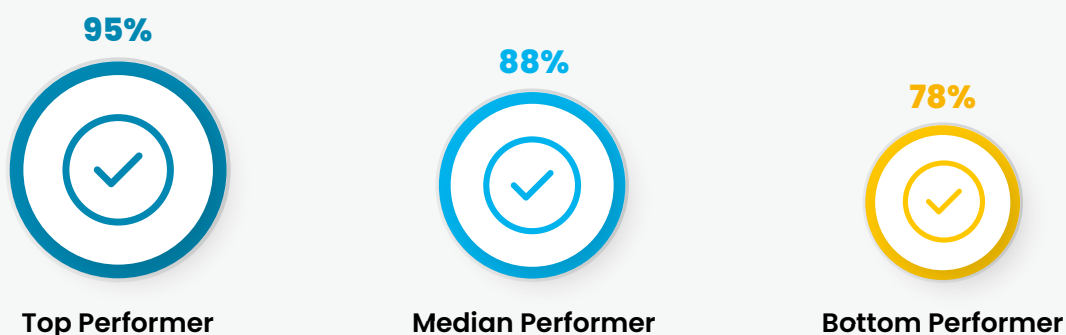
Key **Effectiveness** metrics within Accounts Payable include:

### Cost Per Invoice\*



**\*Interesting Note:** The average cost per invoice across all three levels has increased by 18% over the past five years. This would seem to be inconsistent with the increase in invoice processing productivity that we have seen, but it is a function of the rising labor costs over the past five years, initially fueled by pandemic-driven labor shortages and then the wage inflation that resulted. But as you can see, labor costs have not “come back,” which is driving organizations to seek alternate markets for talent availability, including the recent nearshore trend that has emerged. See our [“2024 State of the Shared Services & Outsourcing Industry in Latin America”](#) report to learn more.

### Percentage of Invoices Paid On Time



Other good Effectiveness metrics can include **Percentage of Disbursements that are Processed First Time Error Free**, **Percentage of Invoice Line Items Received Electronically**, or **Percentage of Invoice Line Items Matched to a Purchase Order**.

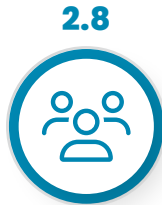




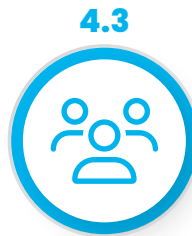
## Accounts Receivable

For Accounts Receivable, **key Efficiency metrics** include:

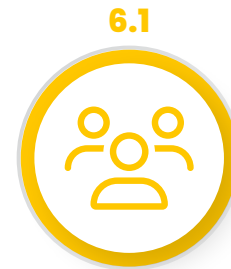
### Number of FTEs Performing AR Per \$1B Revenue\*



Top Performer



Median Performer



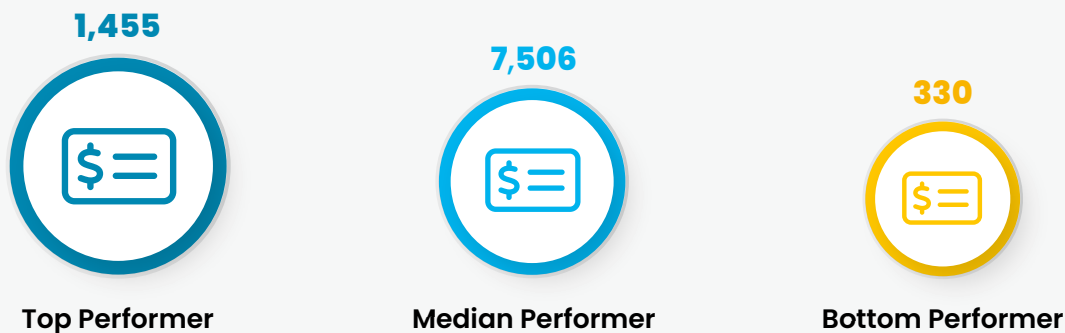
Bottom Performer

**\*Interesting Note:** there has been a 16% reduction in headcount for Bottom Performers in this area over the past five years, while Median and Top Performers have remained largely unchanged. Again, this is likely due to the availability of automation tools to help drive productivity in this area.



A definition of the activities being performed within AR is important here. The above metric represents the number of FTEs handling customer payments (cash application, etc.), which can vary significantly across various industries. Other activities such as credit and collections, deductions management, billing, and customer inquiries should be included when looking at the effectiveness of your Accounts Receivable organization.

### Number of Cash Receipts Processed Per FTE Per Month\*



**\*Interesting Note:** There has been a 50% improvement in processing productivity for Bottom Performers over the past five years, while Median and Top Performers have remained largely unchanged. Again, this is likely due to the availability of automation tools to drive productivity in this area. A consistent theme is emerging!

As with AP, there is a significant disparity between Bottom and Top Performers, using these metrics. Automation helps, particularly if you are processing transactions electronically (e.g., EDI), but you are also **subject to customers' own limitations and processes** in this area. Are they providing detailed remittance advice? Are they taking credits for adjustments due to damaged goods received, pricing variances, or penalties for late delivery?

Internally, you may have similar issues impacting overall AR performance and productivity. How many bank accounts are

staff working with? Are salespeople adjusting prices to customers outside of the system and not providing these details to the AR team?

These types of issues will add to the number of FTEs required within your AR department and impact its productivity and performance.

Other good Efficiency metrics include the **Number of Adjustments and Adjustments Processed Per FTE, Number of Customer Accounts Managed Per FTE for Collections, or Days Sales Outstanding (DSO)**, which may also have external dependencies (such as a global pandemic!) that you cannot control.

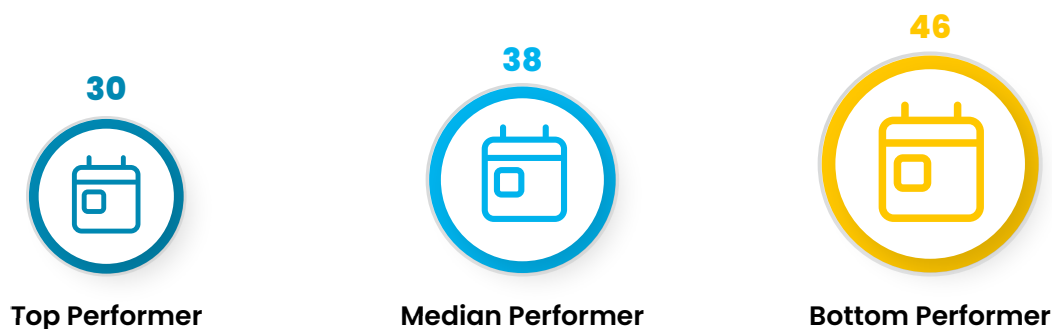
Key **Effectiveness** metrics within Accounts Receivable include:

### Cost Per Customer Receipt\*



*\*Note the huge difference between Top and Bottom Performers in this area. This speaks to the impact of not just adding automation but improving the overall process to standardize and reduce the number of exceptions being managed, all typical characteristics of Top Performing organizations.*

### Days Sales Outstanding (DSO)



Other good Effectiveness metrics can include **Percentage of Customer Receipts that are Processed First Time Error Free, Percentage of Customer Receipts Received Electronically, or Percentage of Receipts Automatically Matched to Open Items.**

As you can see from all these metrics, reducing manual activities, streamlining processes, and limiting exceptions will have a significant impact across all these functions. **So, how can you effectively use benchmark data to design and optimize your F&A organization?**



## Real-World Examples of How Benchmarks Can Drive Strategies for Optimization

Understand that benchmarks are data points, **one part of a broader analysis** that must be undertaken to clearly identify the reasons why an organization is structured as it is. However, sometimes **those data points are like neon signs** illuminating the areas of opportunity, pointing to where a focused analysis can provide the details needed to solve the problem.



**Consider our \$1B healthcare organization that we discussed earlier.**

We know that the company is geographically diverse, with high transaction volumes in terms of account reconciliations and journal entries. Compiling and analyzing its volumetric data, you see that each of the 70+ centers has between 40-50 GL accounts to be reconciled monthly. That comes out to about 3,000 accounts reconciled monthly.

Additionally, it was determined that because of the decentralized operation, the structure of the accounts and the way they were treated was inconsistent. All these accounts were also being managed manually, using Excel. It was a time-consuming, grueling process, one that stretched the month-end closing cycle to the middle of the next month.

**The Median Performer benchmark for managing GL accounts in the healthcare industry is 28 accounts per FTE.** (NOTE: notice this number varies from a general industry benchmark, which is 12.2. There will be variances within industry sectors, so the more defined your benchmark data is, the better your analysis will be.)



If you do the math, using that benchmark, the company would need over 100 FTEs to reconcile all these accounts monthly. In case you don't recall, that is way more people than it currently has in the Accounting department! So, instead of overstaffed, are they **actually understaffed**? Clearly, the situation is more complicated than the data shows.

What was really happening was that the accountants were **not reconciling every account every month** and were spending considerable **time cleaning up issues with the unreconciled accounts** generating numerous journal entries to resolve variances. Many errors were made that required re-work and extensive oversight.



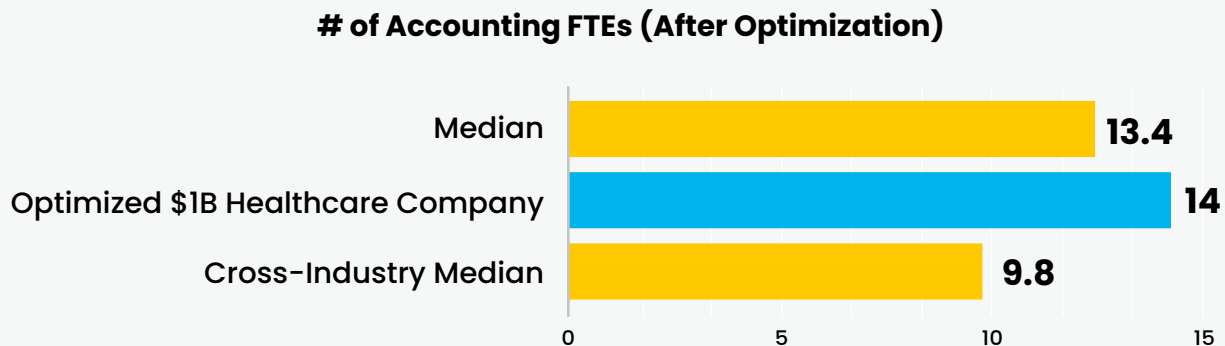
The Accounting organization was spending all its time reconciling, correcting, updating, and closing. It was a **vicious circle of transactional work**, leaving no time for any type of analysis or business insights.

The **benchmark pointed us in the right direction**, and a further, rather quick analysis highlighted the root causes of the issues. The solutions were readily apparent (and not that complicated):

- ◆ Standardize the account structure and reconciliation process across all locations.
- ◆ Reduce the number of accounts reconciled monthly, focusing on the most material accounts, with other, less material accounts reconciled quarterly.
- ◆ Implement an automated account reconciliation platform (there are many available on the market including BlackLine, Trintech, FloQast, OneStream, etc.) to reduce the manual work being done to manage these accounts, focusing just on the variances.
- ◆ Reduce the number of journal entries generated by the effort to clean up unreconciled accounts.
- ◆ Realign and streamline the Accounting organization, bringing a more structured and focused process with the ability to provide real-time quality control and oversight.

## What Was the Impact of These Improvement Efforts?

As you can see below, the organization was able to **reduce the number of FTEs from 33 to 14**, right at the Median Performer benchmark level of 13.4 for a healthcare organization.



The company may not have been able to reach a Top Performer level in terms of FTEs because of its complexity, but a **Median Performer level overall should be considered a big win.**

Benchmark data by itself did not provide the answers to help this company optimize its Accounting operation, but it clearly showed where to look. Too often, organizations aren't able to "see the forest for the trees," as they are so busy running on that treadmill that they can't take that step back to analyze what is really going on.

Benchmarking can help you to "see the trees" and, in particular, see which ones need to be chopped down.





## Looking Below the Surface at Benchmark Data Can Provide More Valuable Insights into Performance

Sometimes benchmark data can give you a false impression of your operational performance. You should view the data in the context of the entire operational picture before drawing any conclusions and plans to act.



**Consider the example of a \$250M property management company operating approximately 400 residential properties across multiple geographies.**

Due to the nature of its business, the company manages (and pays) many vendors across its various properties. Its **15,000 monthly invoice volume** represented the equivalent volume of a CPG or retail company with more than four times the revenue.



When you consider the Accounts Payable team consisted of 9.5 FTEs, the **processing productivity appeared to be Top Performer level** (achieving more than 1,500 invoices per FTE per month), and the overall AP team headcount was at the Median Performer level. On the surface, this company was doing a good job with its AP function. But a **deeper dive into its operations told a different story.**

The actual invoice processing occurred at the properties, where administrative assistants located in the buildings would receive, index, code, and enter invoices into the AP system. These were staff members that were not dedicated to AP tasks, but who spent a considerable amount of their time working on them.

An Activity Survey conducted amongst this group indicated that an equivalent of 18 staff members were working on AP-related activities. The corporate AP team only focused on managing invoice exceptions and processing payments, not invoice handling. **This brought the total number of AP FTEs to 27.5, way below the Bottom Performer level.**

But the Activity Survey highlighted this issue even more. When the Accounting team was surveyed about the amount of time they spent on AP-related tasks (basically doing “after the fact” research, clean up, and reclassification of miscoded and erroneously processed invoices), it showed the equivalent of another 10+ team members were working on

AP-related activities. So now, the **total headcount allocated to AP processing was 38 FTEs!**

Using another key AP processing benchmark, **Cost Per Invoice**, highlighted this even more. The Median-level benchmark for a company in the services Industry is \$5.50 per invoice, according to APQC. When you add in all the other resources (and their associated cost), the Cost Per Invoice metric was \$17.18, **more than three times the Median benchmark and way below the Bottom Performer level.**





This issue had a bigger impact on the company's overall performance and operating cost. A key benchmark for the property management industry is the number of properties managed per Accountant. The Median-level benchmark for the industry is 20 properties per Accountant.

Due to the excessive time spent on AP processing, clean up, and reclasses, the company could only handle 15 properties per Accountant. This impacted the overall productivity and support related to the properties, limited the team's ability to provide more operational insights, and hampered the ability to scale and grow the operation. It also limited the amount of time the team at the properties could truly provide the exceptional customer service the company was looking to give to its "real" customers: property residents.

This was a case where a surface-level review of benchmark data would not have provided great insight into the operational challenges the company was facing. A deeper dive was needed to understand the true nature of the issues they were dealing with, and to understand the spillover effect on other areas that were impacted.



## Using Benchmark Data to Drive an Action Plan

In this instance, “cleaning up” the AP area would drive significant improvements across the entire F&A organization. But how could you do it without incurring significant cost increases?

Moving AP processing from the properties to the corporate Accounts Payable team seemed like an easy fix. But the standard benchmarks tell you that you would need between 15–16 people to process these invoices (at ~1,000 invoices processed per FTE).

At a fully loaded cost of about \$70,000 per FTE, this would **result in a cost increase of more than \$1M** (remember, the staff at the properties was not dedicated to AP and you would not be replacing any of them). This was obviously untenable.

Incorporating an **automated AP processing solution with Intelligent Document Processing (IDP)** enabled the company to target a **70% touchless AP processing level** (meaning that 70% of invoices would be automatically processed), leaving only 30% that required manual inputs. To support the remaining 4,500 invoices to be processed, the team brought on five additional processors to handle the volume.

When you add in the cost of the technology and additional processors to their current AP team cost, the **resulting Cost Per Invoice was \$4.94, more than 10% below the Median Cost Per Invoice metric (\$5.50).**

More importantly, it allowed them to free up the equivalent of eight Accounting FTEs from AP-related tasks, a **“soft” annual cost savings of about \$1M** (they didn’t need to hire additional Accountants), and **increase the Number of Properties per Accountant to 20, the industry Median benchmark!**



## Benchmarking is Not a One-Size-Fits-All Exercise



Lastly, let's consider a highly decentralized \$2B global manufacturing company.

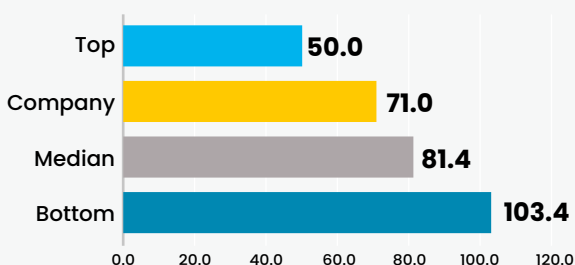
The company operated out of eight locations around the world, with F&A teams situated at all its manufacturing plants. These teams focused on local financial operations, managing the specific (and unique) regulatory requirements for each country in which the company was located.

Some of the locations were in high-cost markets (North America, Europe, Australia) and others were in low-cost markets (Latin America, Africa, Asia). The company was in the process of standardizing its ERP system platform across all markets, but certain markets still had older, disparate systems. The localized requirements and the systems variances made process standardization challenging.

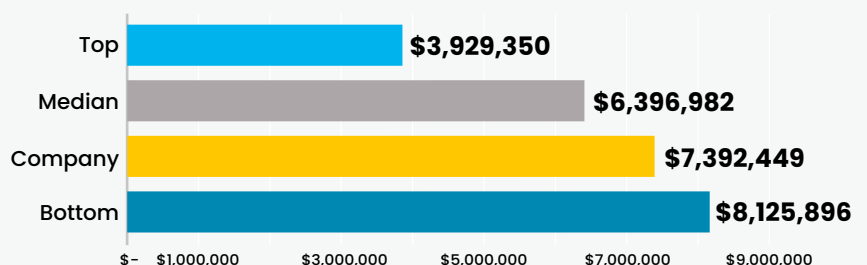
To consider the benefits of establishing a centralized operation, we conducted a data-driven assessment of the company's various market operations, focusing on benchmarking performance to identify areas of opportunity for cost and performance improvement.

The initial analysis showed us the company was operating at **13% better than the Median Performer** level from a headcount perspective (Efficiency), but ran at a **16% higher personnel cost** structure (Effectiveness) than a median-performing peer:

**Number of F&A FTEs Per Industry/  
Revenue Size - All Markets**



**F&A Personnel Cost Per Industry/  
Revenue Size - All Markets**

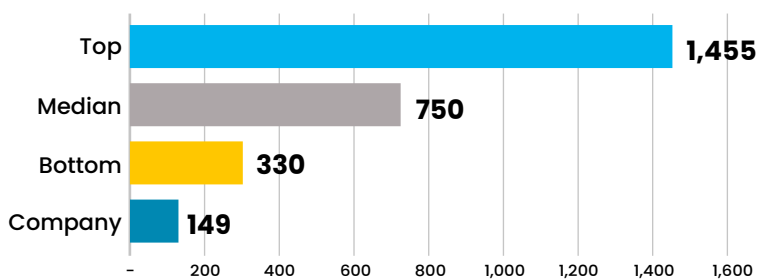


The company's per FTE cost for its Finance & Accounting function was \$104,000, compared to \$78,000 for the Median Performer. This **higher cost was surprising given some of the low-cost markets** in which the company operated.

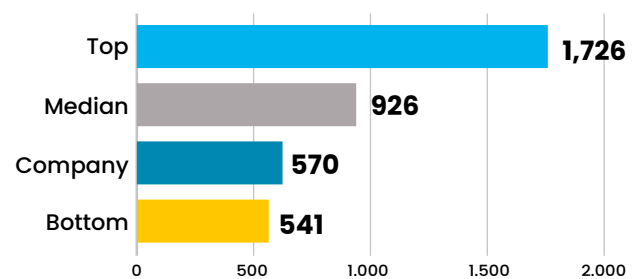
The **overall opportunity to reduce its cost was significant, approximately \$1M annually**, based on the difference between its current level and the Median benchmark. Working the math, we would need to **identify opportunities to reduce about 9-10 FTEs** to achieve the \$1M annual cost savings, or about 15% of the total staff.

How do we get there? Let's look at some other numbers:

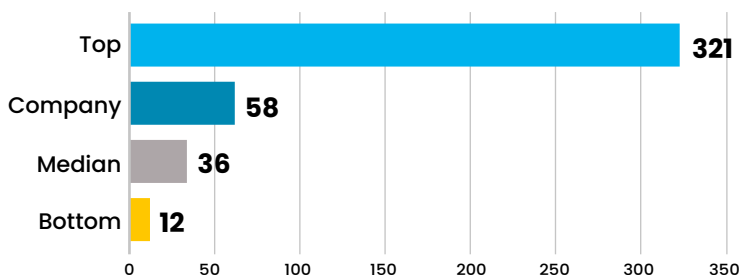
**Number of Customer Receipts Processed Per FTE**



**Number of AP Invoices Processed Per FTE**



**Number of Accounts Reconciled Per FTE**



Reviewing the AP-related benchmark data, the company was performing at **approximately 39% below the level of Median Performer**.

For the specific AR benchmark that we considered, the company was performing at **45% below the level of Bottom Performer**.

This clearly indicates opportunities for automation and performance improvement to drive efficiencies resulting in lower headcount.



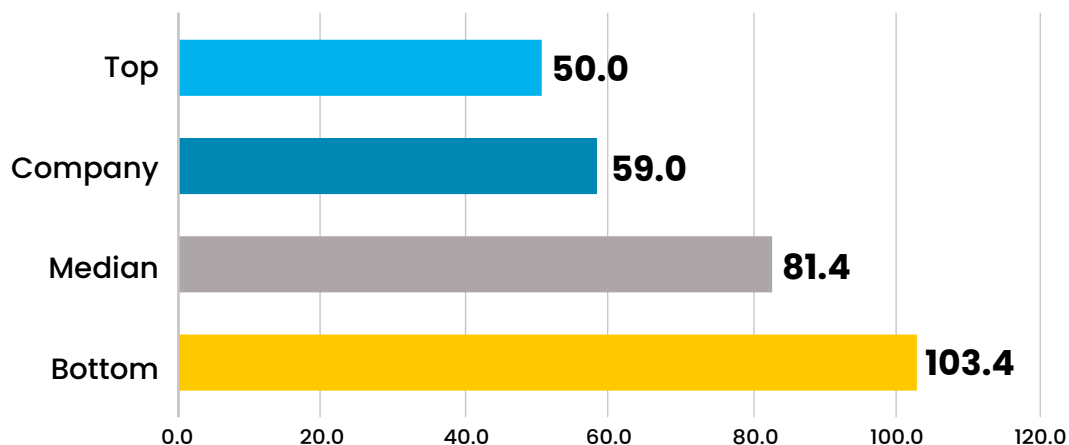


For General Accounting, the company was performing at almost **61% above the Median Performer**, but there are still opportunities to drive additional performance improvements in this function as well.

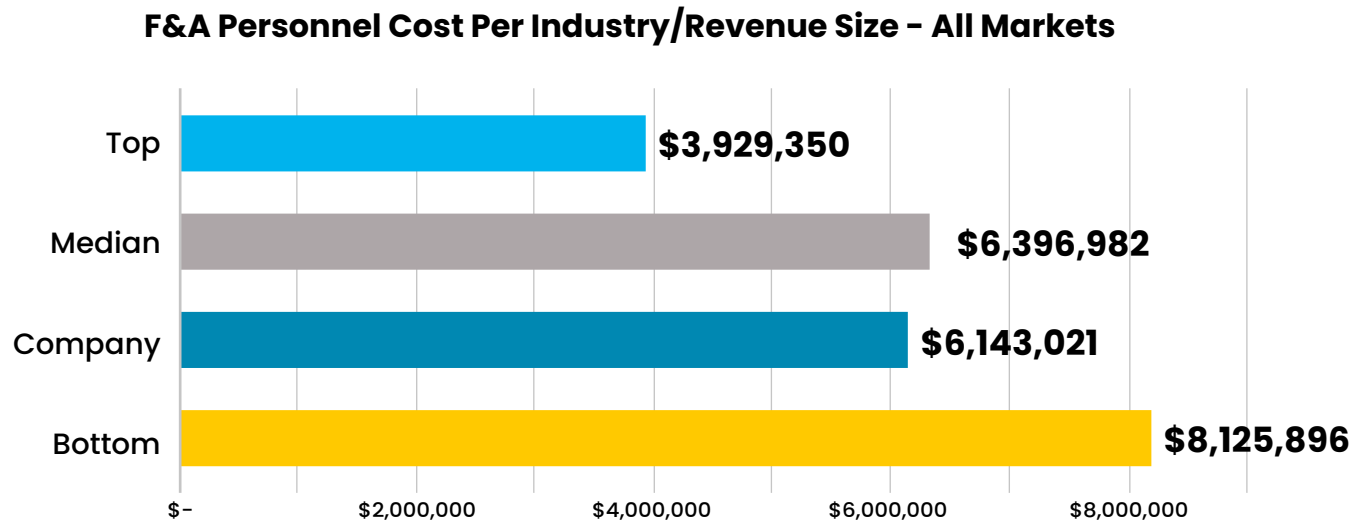
But remember, the operations exist in multiple countries, **requiring specific localized processes to support country regulatory requirements and certain roles to remain in country** (i.e., Finance Management, Tax, Treasury, etc.)

Further analysis of the client's operations in all markets determined we could potentially **reduce 12 FTEs across all markets through centralization and optimization (17%)**, with a resulting organization of 59 FTEs. Comparing the pre- and post-optimized organizations to benchmark data, the company would now be operating at about **20% better than the Median Performer** and approaching Top Performer level:

**Number of F&A FTEs Per Industry/Revenue Size - All Markers**



## How does the optimized cost compare?



As you can see, there is a significant cost improvement (approximately **\$1.25M lower than current operating cost**, using the client's actual cost structure per function), and the company would now operate **4% better than the Median Performer level**.

This is a good example of how benchmark data can provide insights, but not necessarily all the answers, and why further analysis is required. Benchmarking is not a one-size-fits-all exercise.

## In Conclusion

Benchmark data can provide you with good insights into the current state of your F&A operation and serve as a roadmap to future efficiencies. But **benchmarking analysis is not a standalone activity**. It can serve as a **significant data point**, pointing you in the right direction and indicating **IF and WHERE** potential opportunities are available.

Benchmarking is the first step in a broader analysis. Given today's requirements for organizations to contain cost, improve productivity, get more scalable, and shift operational focus, it is a good exercise to undertake to provide the insights needed to take action.

*Looking to improve the performance of your Finance & Accounting Department? [Schedule a consultation](#) with our finance transformation experts today! Or, [visit our resource center](#) to learn more finance transformation tips, strategies, and success stories.*



## About Auxis

Trusted by large enterprise and mid-market organizations across industries for nearly three decades, Auxis is a management consulting and Latin America outsourcing firm that helps clients modernize and scale their back-office operations through innovative processes, technologies, and organizational structures.

Auxis combines extensive finance transformation experience with a unique perspective as advisors, industry veterans, and shared services operators to ensure clients obtain real benefits and ROI from every engagement. Its solutions consistently deliver rapid paybacks, significant cost savings, access to top talent, improved controls, enhanced operational visibility, and greater organizational focus on higher value-creating activities. Core services include Finance, IT, and BOS Nearshore Outsourcing; Intelligent Automation; Cloud; and Business Intelligence. Auxis also offers specialized industry-specific solutions.

A nearshore outsourcing pioneer, Auxis was named a Major Contender and Star Performer on Everest Group's Finance and Accounting (FAO) Peak Matrix® Assessment 2024, and as a Top Global Finance Outsourcing Company in the 2024 ISG Provider Lens for Finance and Accounting Services. It has also been recognized annually on IAOP's elite Outsourcing Global 100 list since 2015. To learn more, visit [www.auxis.com](http://www.auxis.com)







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