Idealliance

Bulletin

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Seven Key Indicators for Your Daily Dashboard

Today's managers need rapid access to information about what is happening as it is happening so they can understand what's really occurring inside the business day-to-day. Most MIS software features the capability to design and access dashboard indicators management wishes to track daily. Here are the ones Idealliance suggests including:

1. Jobs Quoted: Keeping a steady eye on the number of quotes generated and their dollar value tells you whether quoting activity is ahead or behind for the month. Relate your cumulative number of quotes to your jobs booked (see below) and you arrive at your hit ratio—a metric that can be used to project month-end bookings at any time during the month. Tracking this metric daily tells you whether your manufacturing pipeline is likely to be full, or whether steps need to be taken quickly to stimulate additional sales.

2. Jobs Booked: Tracking the number and dollar value of booked jobs alerts you to where your company stands in reaching breakeven for the month. This is significant information, since greater pricing flexibility can be applied once breakeven is achieved. Since fixed operating costs are covered solely by the value-added portion of sales, understanding this number is crucial to your ongoing business success.

3. Month-to-Date Invoicing: This is perhaps the most important indicator of a company's current financial health because it provides a real-time look at existing backlog.

4. Current Cash Balance. You're lending money in the form of labor, materials and supplies tied up in work-in-process. Your cash-on-hand indicator measures how much you've collected from the customers you're "invested" in and indicates whether your collection efforts are working, whether you'll have the cash to meet tomorrow's operating costs, and whether your aged receivables may be an issue for your credit provider.

5. Cash Conversion Cycle: Knowing your cash conversion cycle to the minute helps you understand how much of your cost of capital is tied up in cash management and how long it takes a dollar invested in work-in-process to convert back to a dollar of cash. There are two components of the cash conversion cycle equation. The first considers the cash you have tied up in inventory, production, and collection. It sums Average Days of Sales Outstanding and Average Days of Sales in Inventory to yield Average Days of Cash Committed.

The second part considers how you manage your accounts payable and the terms you negotiate with your suppliers. Your Average Days of Purchases Outstanding is subtracted from your Average Days of Cash Committed, to yield the number of days in your Cash Conversion Cycle.

The aim is to minimize the number of Days of Cash Committed, and maximize the number of Days of Purchases Outstanding. Knowing how those metrics ebb and flow on a daily basis is critical to knowing how well, or poorly, cash flow is managed in the business.

6. Number of Employees: This metric is an indicator of increasing costs that often go unrecognized until financial statements are prepared following the close of the month. You want to know this as early as possible because the addition of employees increases the breakeven point for the period. An increase in employees should be matched by a comparable increase in Value Added to assure that your ability to recover fixed operating costs remains in balance.

7. Overtime Paid: This metric reveals a lot about plant efficiency, particularly if it is tied to operating standards and chargeable time. Is overtime really squeezing out additional revenue or is it being worked because the plant is underperforming? Getting this information in real time is critical to management's ability to understand and respond before it gets run over by the numbers.