Build Your Business Using Financial Key Performance Indicators

One of the best ways to grow your business and monitor your company's financial health is to use financial Key Performance Indicators (KPI). Pacific Crest Group (PCG) has written extensively on the benefits of KPI management strategies.

Stockholders, investors, customers and competitors can use financial data to measure the performance and sustainability of your business model. You want to make sure that critical financial key performance indicators are working for you rather than against you. The Advanced Performance Institute has a wealth of information available on the use of KPIs.

Your company's current ratio is a great example of a very useful financial key performance indicator. The current ratio is your current assets (for example cash and accounts receivable) divided by your current liabilities (such as accounts payable due in thirty days or less). It measures the ability of your organization to pay its current debts within a defined time period (normally one year or less).

For example, if your company has $22,500 in cash and $15,000 in accounts payable due in thirty days, your current ratio would be 1.5:1 ($22,500 in cash divided by $15,000 in accounts payable). A high current ratio indicates solvency and sustainability. A current ratio of between 1.5:1 and 3:1is considered healthy.

A current ratio of less than one indicates that your company would not be able to meet its current financial obligations within the next thirty days. This could be because of a cash flow problem due to the business funding growth by accumulating debt.

If your current ratio is more than three to one, it could indicate your company is holding excess cash instead of investing it back into the business. This will significantly slow down the growth of your organization.

The current ratio KPI provides owners, investors and financial professionals a great deal of information about the efficiency of your company's operating cycle. It answers the crucial question: "Is your business able to generate a constant revenue stream with consistency over a specific period of time? "
"Blue Frog Quadruples Profits by Tracking Key Performance Indicators" is an excellent example of how PCG used a "Revenue-to-Staffing" KPI strategy to give one of its clients the tools the company needed to properly manage their cash flow to successfully fuel their business growth.

Pacific Crest Group provides professional services that keep your business focused on your critical objectives. They create custom made systems based on creative strategies that are always delivered with exemplary customer service. A PCG professional is happy to meet with you to discuss solutions for your unique requirements to maximize all of your business opportunities.