Increasing Profits Based on Key Performance Indicators

One of the best ways to monitor your company's financial health and to increase its profitability is to use Key Performance Indicators (KPI).

Benefits of Key Performance Indicators

Stockholders, investors, customers and competitors use financial data to measure the profitability and sustainability of your business model. Make sure your critical financial key performance indicators are working for you rather than against you. The Advanced Performance Institute has a wealth of information on the use of KPI in guiding your business.

Current Ratio Test

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). This metric measures the ability of your organization to pay its current debts within a defined time period of 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 3:1 is considered healthy.

A current ratio of less than one indicates 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 using its savings or 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 your business. This will significantly slow the growth of your organization.

The current ratio KPI provides owners, investors and financial professionals a significant amount of information about the efficiency of your company's business. It answers the crucial question: "Is your business able to generate a constant revenue stream with consistency over a specific period of time?"

Client Quadruples Profits

"Blue Frog Quadruples Profits by Tracking Key Performance Indicators" is an excellent example of how Pacific Crest Group used a "Revenue-to-Staffing" KPI strategy to show a client how to better manage their cash flow. This resulted in tremendous business growth almost immediately for them.

Pacific Crest Group (PCG) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward looking perspective, we provide the outsourced solutions that your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.