

1. GROSS MARGIN %

What it shows: Core profitability of your operations

FORMULA:

Revenue - Direct Costs ÷ Revenue

Why it matters:

This tells you if the business model actually works.

If gross margin falls, nothing else can save you.

Warning signs:

- Falling month-on-month
- Heavy discounting
- High scrap, rework, or overtime

Target (manufacturing SMEs):

Typically 30-55% depending on sector

4. CAPACITY UTILISATION

What it shows: How much of your productive potential you're actually selling.

FORMULA:

Actual Output ÷ Theoretical Maximum Output

Why it matters:

Low utilisation = wasted fixed cost
Over-utilisation = burnout, late delivery, quality failures

Warning signs:

- Permanent overtime
- Bottleneck machines always overloaded
- Growth without extra margin

Healthy state:

75-85% sustained utilisation

7. DSO (DAYS SALES OUTSTANDING)

FORMULA: Trade Debtors ÷ Daily Revenue

7 NUMBERS That Predict the Health of Your Business

If you only track 7 numbers as a CEO, track these. They expose margin leaks, cash strain, capacity risk, and execution failure before they become visible in the bank account.

3. ON-TIME DELIVERY (OTD)

What it shows: Execution reliability

FORMULA: Orders Delivered On Time ÷ Total Orders

Why it matters:

Late delivery kills trust, contracts, and cash flow.

Warning signs:

- Constant expediting
- Customer complaints rising
- Sales blamed for "wrong promises"

Healthy state:

≥95% on-time

5. QUOTE-TO-WIN RATE

What it shows: Pricing power + sales effectiveness

FORMULA: Jobs Won ÷ Jobs Quoted

Why it matters:

Too low = overpriced or slow
Too high = underpricing or weak competition

Warning signs:

- Racing to the bottom on price
- High workload with low profitability
- Sales volume without margin
- Healthy state:
- 25-40% for most B2B manufacturers

2. OPERATING CASH FLOW

What it shows: Real money generated by the business

FORMULA: Cash In - Cash Out (from operations only)

Why it matters:

Profit is opinion. Cash is fact.

A profitable business can still die from lack of cash.

Warning signs:

- Profitable P&L but negative cash flow
- Reliance on overdraft to survive
- Constant short-term funding stress

Healthy state:

Consistently positive over rolling 12 months

6. WIP LEVEL VS IDEAL WIP (WORK IN PROGRESS)

What it shows: Flow efficiency

FORMULA (LITTLE'S LAW):

WIP = Throughput × Cycle Time

Why it matters:

Excess WIP hides inefficiency and destroys lead time.

Low WIP starves production.

Warning signs:

- Jobs stuck for weeks
- Congestion at key machines
- "Everything is urgent"

Healthy state:

Stable WIP matched to true system capacity

Warning signs:

- Paying suppliers before customers pay you
- Regular cash gaps despite sales growth
- Dependence on invoice finance

Healthy state:

Aligned with contract terms (not "hopes")

What it shows: How fast customers pay you

Why it matters:

Every extra day = cash trapped in someone else's business.