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About Chairmen's RoundTable

The Chairmen's RoundTable is a non-profit volunteer organization comprised of current and former CEOs with extensive Board of Director experience and diverse industry backgrounds. They provide businesses in San Diego County with priceless business advice and mentorship, free of charge, as a way of giving back to the community. CRT's well-defined mentoring program is ideal for companies at a strategic crossroads that are looking to gain an outside perspective on key business issues.

QUESTIONS & ANSWERS

Question: What key company metrics should I be monitoring?

Answer: Metrics - business units of measure to gauge performance - have largely unseated accounting reports as the management tool of choice in today's fast-paced business world. But the value of cash flow, coupled with an ability to fund the cash needs of the company as it expands or obtain desired returns on cash generated, remains the fundamental of business management.

All businesses, even in the same industry, are founded in different fundamentals that can change over time. And managers of these businesses are individuals with different sensitivities and management styles. The outcome of this set of complexities is that no one set of metrics fits all. Discerning the most powerful metrics is a company by company chore, but there are some themes that are common to meaningful metrics. Most effective metrics are simple to calculate and understand, provide a basis for measuring trends over time and in comparison to other businesses, and measure parameters that can be influenced by management.

Examples of metrics that meet those criteria include 'Revenue per available room' from the hotel industry (total revenue divided by number of rooms available in the period), 'Average Check' from the food service industry (total revenue divided by number of customers), and 'Book-to-bill' ratio from the electronic component industry (new orders divided by shipments in a period).

A good starting point is to adopt the metrics most commonly used in the industry segment in which your company operates. Those metrics, often available from trade associations or your commercial banker, will have stood the test of time and will provide for comparisons with similar business and industry norms.

But most businesses also have needs for metrics that relate to their particular issues and objectives. Establishing those metrics requires understanding what the issues are for the short, medium and long term and recognizing that any metric must be viewed in the context of the time scales to which it relates.

Many experienced practitioners tend to experiment by defining simple and easy to understand metrics that are tied to specific issues or objectives. They track their performance against these metrics and try and favorably influence them by management action. The set of metrics is then continually refined