

Steering Clear of Financial Blind Spots That Sink Good Companies.

Financial analysis is critical to a company's survival. Each month, C12 members assess and report on the health of our businesses using C12's 5-Point Alignment Matrix. What metric do we use to assess financial management? Some leaders follow their gut instinct. Others think in terms of cash or net margin, but these indicators, on their own, do not give us a complete picture of the company's financial health. At a minimum, every CEO and business owner needs to develop a small set of "warning lights", metrics for the financials most critical to achieving our strategic goals. Developed with the help of a CFO or finance team, these gauges help the CEO monitor critical indicators of the company's pace, capability, capacity, performance, and well-being.

Six Key Financial Metrics for CEOs

Metric	Formula
Annual Revenue Growth Rate	(Current Year Revenue ÷ Prior Year Revenue – 1) × 100 = X%
Annual Gross Margin Growth Rate	(Current Year Gross Margin ÷ Prior Year Gross Margin – 1) × 100 = X%
Gross Margin as % of Revenues	Gross Margin ÷ Revenues × 100 = X%
Operating Cash Flow Margin	Operating Cash Flow ÷ Revenues × 100 = X%
Operating Expense Ratio	Operating Expenses ÷ Revenues × 100 = X%
Net Working Capital-to-Assets Ratio	(Current Assets – Current Liabilities) ÷ Total Assets × 100 = X%

Source: William Lieberman, "10 Financial Metrics and KPIs Every CEO Should Know," The CEO's Right Hand, November 9, 2021.

Industry-Specific Financial Metrics

In addition to the six key financial metrics, KPIs and industry-specific metrics are also helpful to measure. Some examples of industry-specific financial metrics are:

E-commerce

- Conversion rate
- Average order value
- Cart abandonment rate
- Customer refund/return rate

Manufacturing

- Inventory turnover
- Defect density
- Capacity utilization
- Revenue per employee

Construction

- Revenue per hour worked
- Time and cost rate
- Backlog gross profit
- Days of revenue in accounts receivable

Health Care

- Average treatment charge
- Insurance claim processing time
- Claims denial rate
- Average cost per discharge

Hospitality

- Average daily rate
- Occupancy rate
- Revenue per available room
- Food and beverage revenue per occupied room
- Gross operating profit per available room

SaaS / Subscription Business

- Monthly recurring revenue
- Customer lifetime value
- Customer acquisition cost
- Churn rate

Service Based Business

- Billable utilization
- Average billing rate
- Costs per employee
- Recurring services revenue

Real Estate

- Gross rent multiplier
- Capitalization rate
- Debt service coverage ratio
- Cash-on-cash return

Technology

- Customer acquisition cost
- Lifetime value of a customer
- Monthly recurring revenue
- Churn rate

Marketing/Advertising

- Revenue per project
- Revenue per client
- Monthly recurring revenue
- Customer acquisition cost

Financial Health as Faithful Stewardship

A financially healthy business stands as a testament to God's provision and our faithful stewardship. Establishing solid financial dashboards allows us to track business health over time and create margin for generosity, margin that lets us invest back into the business, reward our employees well, and fund causes that honor God.

This is exactly the kind of discipline C12 Business Forums helps CEOs and business owners build. Through peer forums, biblically based coaching, and practical tools like the metrics above, C12 equips leaders to run financially healthy, God-honoring companies — not just for profit, but for purpose. Learn more and find a forum near you at **joinc12.com**.