



Know what moves the bottom line

Connected financial and operational KPIs

A practical introduction for manufacturing teams, with a profitable synthetic business to explore in the KPI Impact Map.

IN THIS GUIDE

- 02** Connect operational signals to outcomes
- 03** Understand six financial KPIs
- 04** Find the operational drivers
- 05** Explore a profitable benchmark
- 06** Start with a 30-day measurement plan
- 07** Know when spreadsheets need support

What gets measured gets done.

Free public guide. No registration required.



01 / THE ESSENTIALS

Financial results start with operational signals

A KPI is a measured indicator that supports a decision. A useful scorecard links financial results to operational activity, assigns owners and makes changes visible over time. You do not need sophisticated software to start: one clearly defined KPI with a reliable measurement process is enough.

STEP	LEVEL	EXAMPLE MEASURES	
01	Operational signals	Ready-to-start jobs	Labour hours
		Material readiness	Quality / rework
↓			
02	Financial drivers	Cost per unit	WIP / lead time
		Losses & variances	Billing readiness
↓			
03	Executive outcomes	Gross margin	Operating profit
		Working capital	Delivery reliability

Read from top to bottom. Operational signals can influence cost and delivery. Those drivers contribute to margin, operating profit and cash tied up. This is a conceptual hierarchy, not a set of one-to-one causal links; exact equations and other relationships require measured evidence or explicit assumptions.



02 / FINANCIAL KPI DICTIONARY

Six financial outcomes worth understanding

Start with measures that leadership already reviews. Standardize the calculation period, inventory valuation and the definition of a "unit" - finished item, project, job or service engagement.

METRIC	SIMPLIFIED DEFINITION	WATCH FOR
Gross profit (\$)	Revenue - cost of goods sold	Cost recognition and scope
Gross margin (%)	Gross profit / revenue x 100	Product-mix differences
Gross profit per unit (\$)	Unit price - attributable unit COGS	Allocation of indirect costs
Operating profit (\$)	Gross profit - operating expenses	Operating/non-operating classification
Working capital (\$)	Trade receivables + inventory - trade payables	Consistent dates and valuations
Cash conversion cycle (days)	Receivable days + inventory days - payable days	Same period / definitions

For revenue recognition, WIP, inventory valuation, period comparability and EBITDA, apply your organization's accounting policies and obtain finance approval. This guide is for KPI education, not financial-statement preparation.



03 / OPERATIONAL DRIVERS

Six signals that often explain the financial picture

DRIVER KPI	SAMPLE CALCULATION	WHY IT MATTERS
Labour hours per unit	Tracked direct hours / completed equivalent units	Production cost and capacity
Material cost variance	Actual consumption cost - planned cost	Gross margin and purchasing
First-pass quality yield	Units accepted without rework / inspected units	Rework cost and reliability
Work order readiness	Ready planned starts / all planned starts	Avoidable delays and labour
Inventory days	Average inventory / period COGS x days	Working capital / WIP
Days sales outstanding	Average trade AR / credit revenue x days	Cash conversion / collections

Do not confuse a KPI with an action. Adding a labour-efficiency measure does not change profit. Profit changes only when underlying hours, rates or other operational assumptions change. A good simulator makes that distinction visible.



04 / TRY A SYNTHETIC BUSINESS

A profitable benchmark you can pressure-test

The Prism KPI Impact Map starts with a hypothetical, already profitable manufacturer. Apply one scenario at a time, then several independent effects. Observe how operating outcomes and working capital respond.

Revenue	Manufacturing cost	Gross profit	Operating expenses	Operating profit
\$10.0M	\$8.0M	\$2.0M	\$1.2M	\$0.8M

BENCHMARK INPUT	ILLUSTRATIVE ANNUAL VALUE
Finished units / average selling price	10,000 units x \$1,000 = \$10,000,000 revenue
Materials / unit	\$420 = \$4,200,000
Direct labour / unit	\$180 = \$1,800,000
Other manufacturing cost / unit	\$200 = \$2,000,000
Operating expenses	\$1,200,000
Baseline outcome	Gross profit \$2,000,000 / 20%; operating profit \$800,000

One change, two different effects. A 5% increase in material cost adds \$210,000 to manufacturing cost at unchanged volume, reducing gross profit to \$1,790,000 (17.9% margin). A seven-day increase in receivable days affects cash tied up, not directly gross profit.



05 / FIRST 30 DAYS

How to start measuring in any tool

Excel can be sufficient for the initial learning phase. The priority is agreement on definitions, owners and source evidence, followed by a simple feedback loop.

WEEK	ACTION	OUTPUT
1	Choose one executive outcome and one operational driver that affects it.	Named KPI / purpose
2	Document numerator, denominator, source, exclusions and review owner.	Approved KPI definition
3	Collect observations without changing targets to fit results.	Baseline and data quality
4	Review causes, exceptions and decisions; choose the next small improvement.	Action owner and next target

Minimum KPI record

KPI name; business question; formula; unit; accountable owner; source; frequency; baseline; target; caveats; actions.

Explore the free interactive demo at prismstacking.com/kpi/: drag KPI scenario cards onto the impact map, adjust synthetic values and compare baseline to projected results. No real company data is needed.



06 / FROM MEASUREMENT TO INTELLIGENCE

When spreadsheets are no longer enough

An Excel scorecard can calculate a metric. What becomes difficult is maintaining the same trusted definition across disconnected systems, files, departments, data owners and reporting cycles.

Prism Stacking is designed as a governed operational intelligence layer. Its ambition is to connect sources already used by the company; stage, validate and govern business information; then make dependable intelligence accessible to people and AI without forcing immediate replacement of existing enterprise systems.

BEGIN WITH	EXPAND WHEN YOU NEED
Manual definitions and a working baseline	Governed source definitions and lineage
Periodic exports and spreadsheet formulas	Consistent connected datasets and refresh controls
Ad hoc explanations of changes	Cross-functional drill-down and exception analysis
One department's scorecard	Shared executive and operational understanding

Try the free KPI Impact Map at prismstacking.com/kpi/. To discuss a client-specific data-readiness or KPI pilot, start with a narrowly scoped, measurable operating question.

Methods and limitations

All sample figures are illustrative, not industry benchmarks or performance claims. Working-capital estimates are simplified; they are not operating-cash-flow forecasts. Measure distinct incremental costs once, avoid assigning causality from correlation alone, and validate assumptions with Finance.