

# Capstone experience (business metrics) 2

Business, Management



Capstone experience (Business Metrics) 2 Capstone experience (Business Metrics) 2 Three examples of key performance indicators and their measures that are forward-looking and more predictive

The On time delivery indicator assists the business unit in predicting stock-out, as well as line-down situations. The calculation is done by comparing on-hand inventory against the demand and deliveries expected. This helps the organization to anticipate whether they have enough supplies for the manufacturing lines, as well as customers. The gross operating profit per available room serves as another forward-looking measure. It is calculated by applying the gross operating profit across all the days in a month. This measure then helps the business unit in gauging the number of visitors required to occupy the property for profits to be maximized. Current ratio helps in calculating the firm's ability to pay its short-term liabilities. It is calculated by dividing the current liabilities with the current assets (Mowen, Hansen, & Heitger, 2011).

Aspect of the value chain that they measure

Using the on time delivery indicator to predict stock-out helps in measuring the operational efficiency of the business unit (Bidgoli, 2010). This follows from the derivation of information that ensures that the unit maintains sufficient stock for its operations. The gross operating profit per available room measures the competitiveness of the unit. This follows from the use of the rates to give measures that can maximize profitability of the unit. The current ratio seeks to measure the decision-making capacity. It gives insight into the prevailing financial situation, thus prompting appropriate actions to safeguard financial stability.

How do these measures tie to specific strategies in your business unit?

The business unit seeks to maintain good relations with creditors. Therefore, the current ratio helps the business unit to preserve the trust of the organization's creditors, by showing when there is need to negotiate with them on payment. The gross operating profit per available room assists the business in seeking a competitive edge in its operations. More to these, the stock-out predictor aligns to the unit's strategy of promoting customer satisfaction (Stair & Reynolds, 2012).

#### References

Bidgoli, H. (2010). *The Handbook of Technology Management: Supply Chain Management, Marketing and Advertising, and Global Management*. New Jersey, NJ: John Wiley & Sons, Inc.

Mowen, M., Hansen, D. & Heitger, D. (2011). *Cornerstones of Managerial Accounting*. Mason, OH: South-Western Cengage Learning Publishers.

Stair, R. & Reynolds, G. (2012). *Fundamentals of Information Systems*. Boston, MA: Cengage Learning Publishers.