ACCOUNOVATION · FINANCIAL CLARITY FOR MANUFACTURERS

The Manufacturing KPI Cheat Sheet

15 numbers every manufacturer should track — with formulas, why they matter, and what good looks like.

Most manufacturers don't struggle because of their equipment — they struggle because they can't see where the money is going. These are the metrics we help our clients track to turn financial data into better margins, healthier cash flow, and confident growth decisions. Pull them monthly, watch the trend, and act on what it tells you. (Benchmarks are directional — "good" varies by sub-sector, product mix, and business model.)

Profitability — Are you actually making money?

Gross Profit Margin

`(Revenue − COGS) ÷ Revenue`

The single clearest read on whether your products are priced and produced profitably.

Watch the trend; declining margin = pricing or cost problem.

Contribution Margin

`(Revenue − Variable Costs) ÷ Revenue`

Shows how much each unit contributes to overhead and profit — key for product and pricing decisions.

Use per-product to find your true winners and losers.

Net Profit Margin

`Net Income ÷ Revenue`

Bottom-line profitability after all costs — what actually reaches the owner.

Know your number and defend it every month.

EBITDA Margin

`EBITDA ÷ Revenue`

Operating profitability before financing and non-cash items — how buyers and lenders judge you.

Critical if you plan to finance, scale, or sell.

Cost & Production Efficiency — Where is money leaking?

COGS as % of Revenue

`COGS ÷ Revenue`

Tracks whether materials, labor, and overhead are creeping up faster than price.

Rising % = investigate materials & labor immediately.

Overhead Absorption Rate

`Overhead ÷ Allocation Base (labor or machine hrs)`

Reveals whether you're recovering overhead in your product costs and quotes.

Under-absorption quietly erodes margin on every job.

Labor Efficiency

`Standard Hours Earned ÷ Actual Hours`

Measures how productive your direct labor is against the standard.

Aim for ≥ 90%; below 85% signals process or staffing issues.

Scrap & Rework Rate

`Scrap + Rework Cost ÷ Total Production Cost`

Waste is pure margin lost — small percentages add up fast at volume.

Lower is better; trend it and tie to root causes.

Overall Equipment Effectiveness (OEE)

`Availability × Performance × Quality`

The gold-standard measure of how well equipment is actually utilized.

World-class ≈ 85%; many shops run 40–60%.

Capacity Utilization

`Actual Output ÷ Maximum Possible Output`

Tells you whether you can take more work — or need to invest before you can grow.

Sustained high utilization = time to plan capacity.

Cash & Working Capital — Can you fund your next move?

Inventory Turnover

`COGS ÷ Average Inventory`

How efficiently inventory converts to sales — low turns tie up cash on the floor.

Higher is better; compare to your sub-sector norm.

Days Inventory Outstanding (DIO)

`365 ÷ Inventory Turnover`

Average days inventory sits before it's sold — cash locked in stock.

Fewer days = leaner, more liquid operation.

Days Sales Outstanding (DSO)

`(Accounts Receivable ÷ Revenue) × 365`

How long customers take to pay — high DSO starves cash flow.

Tighten toward your payment terms (e.g., ≤ 30–45 days).

Days Payable Outstanding (DPO)

`(Accounts Payable ÷ COGS) × 365`

How long you take to pay suppliers — a lever for preserving cash.

Optimize without harming supplier relationships.

Cash Conversion Cycle

`DIO + DSO − DPO`

Days from paying for materials to collecting cash — the heartbeat of working capital.

Lower = less cash tied up funding operations.

Revenue per Employee

`Revenue ÷ Full-Time Employees`

A simple productivity and scalability gauge as you grow headcount.

Trend it as you hire; flat/declining = efficiency risk.