The School of Management hopes two indexes recently created by one of its Centers of Excellence will act as new barometers for the North Texas business community by tracking patterns that could forecast both positive change and economic turbulence.

Spearheaded by Dr. David Springate, the Center for Finance Strategy Innovation has constructed two financial indexes relating to the 50 largest publicly held corporations in North Texas. These complementary indexes measure the financial health as well as the flexibility of those companies, many segments of which are not in North Texas.

“If we’re going to continue to attract headquarters of large companies here, then we should be keeping track of how well they are doing,” Dr. Springate, the center’s founder and director, says. “In other words, my premise is that there’s a good reason to have large companies here. Even when they don’t bring the jobs to the region, they still add a lot to the economy. They bring a more-educated work force. They help our region move toward the head of the line in driving economic activity. If they’re doing well, they employ more people, they purchase more goods and services, they tend to give more philanthropically — in other words, if the companies do well, they are leading change in the community.”

What the Indexes Track

The Index of Financial Health tracks composite statistics such as year-over-year sales growth, positive quarterly profits, year-over-year profit-margin growth, increases in quarterly return on assets, increases in year-over-year cash flows from operations and decreases in year-over-year inventory as percent of sales.

The Index of Financial Flexibility tracks increases in quarterly short-term debt.
Professor hopes new measures of top companies’ financial health and flexibility will prove useful as DFW economic indicators.

to assets, year-over-year long-term debt changes and payment of cash dividends.

“We would like to see how the indexes track over time and then tie them in with subsequent actions of either the group of companies or individual companies,” Dr. Springate says. “Upon initial analysis, these numbers appear to fit nicely with our understanding of how the downturn affected the economy and the subsequent recovery.”

Even though it is too early to say how useful these numbers might be, Dr. Springate has “great hope” that these indexes will lead him to say that there is a tie-in or predictability or that something is likely to follow from them.

“I’m not there yet, and I don’t want to pretend I’m there yet,” he cautions. “I’ve just started this study, so I don’t want to read implications into it.”

The study falls within the larger context of the center’s mission, which is to educate people and run programs that help advance regional competitiveness and innovation, especially on the financial side.

“We also have the mission of finding out where we can make improvements and how this is happening,” Dr. Springate says. “The context for me in a narrow sense is the center, which after investigating how competitive and innovative companies are in the region, is able to create new educational programs. The actual study is part of this total context for me of a broader set of issues relating to the region.”

Dr. Springate’s goal is not to be “some isolated tower out there that does stuff of interest only to the academics” but rather...
DFW Top-Ranked Public Companies

1. ExxonMobil Corporation
2. AT&T Inc.
3. AMR Corporation
4. Fluor Corporation
5. Kimberly-Clark Corp.
6. JCPenney Company, Inc.
7. Burlington Northern Santa Fe Corp.
8. Texas Instruments Incorporated
9. Dean Foods
10. Southwest Airlines Co.
12. Energy Transfer Partners LP
13. Energy Transfer Equity LP
14. Gamestop Corp.
15. Tenet Healthcare Corp.
16. Centex Corp.
17. XTO Energy Inc.
18. Atmos Energy Corp.
19. Celanese Corp.
21. Affiliated Computer Services Inc.
22. Holly Corp.
23. Dr Pepper Snapple Group
24. Blockbuster
25. Alon USA Energy Inc.
26. Crosstex Energy LP
27. Crosstex Energy Inc.
28. Flowserve Corp.
30. RadioShack Corp.
31. Comerica Inc.
32. Trinity Industries
33. Lennox International Inc.
34. Idearc Inc.
35. Rent-A-Center Inc.
36. Perot Systems Corp.
37. MetroPCS Communications Inc.
38. Sally Beauty Holdings Inc.
39. AmeriCredit Corp.
40. ENSCO International Inc.
41. Pioneer Natural Resources Co.
42. Zale Corp.
43. Alliance Data Systems Corp.
44. Cinemark Holdings Inc.
45. Fossil Inc.
46. Exco Resources Inc.
47. Valhi Inc.
48. Denbury Resources Inc.
49. Range Resources Corp.
50. Pier 1 Imports Inc.

Based on 2009 data published in the Dallas Business Journal

“to engage the community — broadly speaking, the academic and financial communities — in an ongoing conversation about what’s going on in the world that is of interest to this region and how we can make things better.”

Knowing that economic competition is being driven by increased globalization and the need to recover well from the economic downturn, Dr. Springate hopes that the center can partner with the business community to help drive economic activity.

CFSI Indexes, Summary Measures 2009-2010

The indexes reflect the area’s vibrancy and vitality.

The numbers in the column at left represent percentages. In an ideal world, companies with optimal performance would register 100 if they had year-over-year sales growth, positive quarterly profits, year-over-year profit-margin growth, increases in quarterly return on assets, increases in year-over-year cash flows from operations and decreases in year-over-year inventory as percent of sales. For both the Financial Health and the Financial Flexibility measures, the graphed percentages represent an average based on the top 50 public companies reporting in these indicator categories.