

# Key Performance Indicators

- Key performance indicators, or KPIs, are indicators that measure the performance of a business process, and help to inform business strategy.
- For supply management professionals, identifying and utilizing KPIs allow for a structured method of monitoring and improving the business performance of a complex global supply chain.
- KPIs focus on the intricate interconnections and dependencies found in today's supply chain management process, by offering a straightforward method of analysis.

# KPI Best Practices

- Set the KPIs that are aligned with your business goals.
- Define what you want to track by narrowing your list to avoid data overload.
- Ensuring that key performance indicators are achievable.
- Using SMARTER or the 6 As for goal setting.

# SMART Goals

- **Specific.** Start with a specific objective that can be isolated.
- **Measurable.** Find a definitive way to measure the data that needs recording.
- **Attainable.** Make sure the objective is something that can be readily attained.
- **Relevant.** Ask if these goals are relevant to the target groups.
- **Time-bound.** Create timeframes and deadlines to accurately measure the KPI.
- **Evaluate.** See if the KPIs provides the actionable data needed to achieve set goals.
- **Reevaluate.** Test and retest for consistency before regular implementation.

# The 6As

- **Aligned.** The KPI aligns with the activities of its specific targets.
- **Attainable.** The indicator is easily attainable so that it can be measured.
- **Acute.** The KPI makes others well-informed, or acute, of the goal and its measurement.
- **Accurate.** The data pulled from a KPI will be used to accomplish future objectives; it must be reliable and accurate.
- **Actionable.** KPI results produce data that influences a plan of action.
- **Alive.** The data can be leveraged throughout the company's lifespan.

# Foundational KPIs

- **A Measure.** Every KPI must have a measure. The best KPIs have more expressive measures.
- **A Target.** Every KPI needs to have a target that matches your measure and the time period of your goal.
- **A Data Source.** Every KPI needs to have a clearly defined data source so there is no gray area in how each is being measured and tracked.
- **Reporting Frequency.** Different KPIs may have different reporting needs, but a good rule to follow is to report on them at least monthly.

# KPI Examples

# Supplier Related KPIs

- Number of suppliers
- On-time delivery by supplier
- Spend
- Quality performance rating
- Supply chain risk (sole source)

# Procurement Staff Related KPIs

- Spend per employee
- Cost savings or cost avoidance
- Spend under contract
- Purchase order cycle time
- Training and development

# Manufacturing Related KPIs

- Sales
- Production output
- Labor costs
- Material costs
- Safety
- Reject / scrap
- Equipment utilization
- Downtime
- Overtime
- Backlog

# Financial KPIs

- Operating cash flow
- Burn rate
- Gross profit margin
- Working capital
- Current accounts receivable
- Accounts payable turnover
- Accounts receivable turnover
- Inventory turnover
- Supplier expenses / spend

# Sales KPIs

- Sales growth
- Sales target
- Customer acquisition cost
- Customer churn rate
- Average sales cycle length
- Lead conversion ratio
- Revenue per sales rep
- Profit margin per sales rep
- Upsell & cross-sell rates

# Logistics KPIs

- Shipping time
- Order accuracy
- Delivery time
- Transportation costs
- Warehousing costs
- Number of shipments
- Inventory accuracy
- Inventory to sales ratio / overstock

# Warehouse KPIs

- Receiving efficiency
- Carrying cost of inventory
- Inventory turnover
- Rate of returns
- Backorder rate
- Order lead time

# Transportation KPIs

- Freight cost per unit shipped
- Outbound freight costs as percentage of net sales
- Inbound freight costs as percentage of purchases
- Transit time
- Claims as % of freight costs
- Freight bill accuracy
- Percent of truckload capacity utilized
- Shipment visibility/traceability percent
- On-time pickups

# Customer Service KPIs

- Average number of calls/ service request per handler
- Average queue time of incoming phone calls
- Email backlog
- Inbound abandon rate
- Inbound average talk time
- Inbound calls handled
- Number of complaints
- Percentage of customer service requests answered in given timeframe
- Percentage of calls transferred

# Human Resources KPIs

- Time to hire
- Employee satisfaction
- Quality of hire
- Cost per hire
- Attrition rate

# What Are Your Important KPIs?



# Summary

- Tie KPIs to strategy
- Make sure they are measurable, reasonable, relevant, explainable and defensible
- Avoid “industrial theater”



# Thanks!

Rich Weissman

Rich Weissman & Associates

Hamilton, MA

[richweissman@gmail.com](mailto:richweissman@gmail.com)

<https://www.linkedin.com/in/richweissman/>