

# Key Performance Indicators (KPI's)

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# Agenda

1. Introduction
2. Mission, Vision, Values, and Strategic Planning Process
3. KPI: Definitions, Use, Elements
4. Setting up a KPI's System. Balance. Processes. Owners
5. Process Improvement Cycle. Lean Thinking Approach
6. Typical Examples of Multi Dimension KPI's
7. Assessment of KPI's.
8. Conclusions

# MISSION STATEMENT



Taco's Tortilla Factory

Make and Deliver Tortillas and other related  
Products, with the quality required for our  
Customers in Texas, using top ingredients,  
in a safe and healthy work environment

# VISION STATEMENT



Taco's Tortilla Factory

Customers prefer our Products in markets we participate, because of our Value / Price ratio.  
Our stockholders get an attractive investment yield.  
Our Employees perceive an excellent place to work.  
We are recognized as a Responsible Company.

# Strategic Planning

## SMART Objectives



**Specific**

Can the detail in the information sufficient to pinpoint problems or opportunities? Is the objective sufficiently detailed to measure real-world problems and opportunities?



**Measureable**

Can a quantitative or qualitative attribute be applied to create a metric?



**Actionable**

Can the information be used to improve performance? If the objective doesn't change behavior or shift to help them improve performance, there is little point in it.



**Relevant**

Can the information be applied to the specific problem faced by the manager?



**Time-bound**

Can objectives be set for different time periods as targets to review against?



- Processes
- Customers
- Values



- VS1
- VS2
- VS3
- ..... VS<sub>n</sub>



**Performance Indicators System**



# Performance Indicators System



# Performance Indicators System

1. **Aligned** to Strategies
2. **Balanced**. Includes all relevant aspects of Strategies
3. As **Simple** as Possible Processes Measurement
4. Constructed with **Company used Metrics** at 3 Levels
5. **Customers** Related Aspects
6. **Clear** for all Stakeholders and Employees
7. **Unique** Process Improvement Methodology

# Key Performance Indicator

Is a **measurable** value that demonstrates **how effectively** a company is achieving **Key Business Objectives** thru **Processes** activity

**Key Business Objective** is the purpose of an Strategy to support **Critical Business Issues**

**Critical Business Issues** are those Factors required to ensure achievement of **Vision** Statements



# Processes: The Base of Biz Actions

Is a Group of **Activities organized** to generate **Results**. Process Team and **Leader** are **Responsible**

Accurate **Strategies and Objectives** need **Strong Processes** to get **Valuable Results**

**Processes** have to be **controlled and improved systematically** to keep them Strong

# LEAN : Process Improvement Cycle



# Multidimensional KPI's Examples

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Use this info as a Reference. Your Company Must Define them

# Customer Oriented KPI's

1. Net Promoter Score. Likelihood to recommend You
2. Customer Profitability. Profit after M&Sales Costs
3. Customer Retention. How many come back. Loyals
4. Conversion Rate. From Prospects to Customers
5. Relative Market Share. Compared to your Compete

## Social Responsibility KPI's

1. Energy Consumption
2. Waste Reduction Rate. Recycling Rate
3. Social Hiring Rate



# Operations KPI's

1. Capacity Utilization. Versus Installed or Effective
2. Order Fulfilment Leadtime. From Order to Deliver
3. Delivered in Full on Time. Vs. Total # of orders
4. Process Waste. Rework. Inventory Shrinkage
5. Overall Equipment Efficiency. Availability x Quality x Performance (%)
6. Return on Innovation Investment

# Employees KPI's

1. Staff Advocacy. Likelihood to recommend your Company as a good place to work for
2. Engagement Level. Behavior Contribution to Goals
3. Absenteeism Factor. Unauthorized Absence
4. 360-Degree Score. General Average. Areas Ave.
5. Salary Competitiveness. Compared to Competitors
6. Overall Satisfaction Level

# Financial KPI's

1. Net and Gross Profit Margins
2. Operations Profit Margin
3. EBITDA. Earnings Before Taxes, Interest, Depreciation and Amortization
4. Revenue Growth Rate. Market Share
5. Total Shareholder Return. EVA
6. Price to Earnings Ratio. Revenue Growth Ratio
7. Return on Investment / Capital Employed / Assets
8. Debt / Equity (A-L) Ratio. Net Value
9. Cash Conversion Cycle

# Process Performance Index Assessment

## Review Quarterly / Twice a Year

- Alignment with Strategies
- Process Awareness by Management and Employees
- Process Management Improvement Initiatives Review
- **Process Improvement Methodology effectiveness**
- Process Metrics. 3 Levels (ORG-PRO-PER)
- Customer Focus Review
- Change Management and People Support



Management IS NOT a matter of  
Numbers, but use them Effectively  
to Accomplish Strategic Goals

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Never Forget:

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Behind Numbers are **REAL PEOPLE**



**Look for Simple things in Complexity**

**Look for Harmony when in Discord**

**Look for Opportunities  
in Difficulties**

# Thanks. Muchas Gracias

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