

# Manufacturing Executive Series

## Effective KPI Use: Characteristics of KPIs and Key Metrics



A KPI is "a measurable value that demonstrates how effectively a company is achieving key business objectives." For those intimately involved in the operations of their manufacturing company, KPIs have proven to be paramount in assessing where a company stands with regards to various metrics, such as overall performance, cost effectiveness, quality, and how they tie in to higher level company objectives. Simply put, it answers the question of "How well we're doing."

### 1 Determining KPIs and Metrics



**S**pecific: KPIs should be clear and have a well defined goal for those involved at all levels. KPIs need to be understood not only at a high level, but also at an individual level so every one knows their part in the company's mission.



**M**easurable: They should be quantifiable; to determine specific manufacturing goals, gauge how well they have been met, as well as actions that need to be taken moving forward to ensure that goals will continue to be met.



**A**chievable: Staff must be positioned to achieve the KPI goals that have been established for them. This means they have to have the proper training, skillset and resources from plant management to meet their goals.

**R**elevant: KPIs should align with high level company goals, while being in line with departmental goals. KPIs should be delegated to those involved, as determined by their role and function within the company.



**T**ime-bound: KPIs should be tracked for a defined period of time, with goals that have well established deadlines. Time bound KPIs give the team a reasonable sense of urgency, while keeping them goal oriented and accountable.



**E**ffort should be paid upfront when determining KPIs to ensure opportunities are not wasted. KPIs should also be reevaluated from time to time to determine if they are still "SMART" and in line with the most current business objectives.



## 2 Dynamic vs Static KPIs



**Static:** As the name implies, Static KPIs are those that are relatively unchanging and are measured on a regular basis. These typically include traditional metrics such as product quality, OEE (Overall Equipment Effectiveness), daily downtime and reasons why.

**Dynamic:** These metrics are more tailored to a manufacturing company's specific needs, and are defined based on shifting demands, and as such, need to be updated more often.



Depending on specific company needs, such as production targets and staffing, KPIs and goals can change fairly frequently. Because of this, they should be redefined as often as necessary.



## 3 Questions to Ask



What are my Dynamic KPIs, and what are my Static KPIs?



What are the objectives that KPIs are tied to (why are these relevant to the company and each department)?



What is each person's part in the process, and how do they help us to meet our objectives? (i.e. Environmental Health and Safety Director is to oversee meeting our plant safety goals, manufacturing engineers our production goals, etc.)

## **4** Final Points to Consider

- Have a predetermined schedule for assessing KPIs and their accompanying goals, and provide yourself and your teams with honest feedback.
- Having regularly scheduled meetings in which KPIs and goals are discussed redefined helps to get the most value.
- Have a well defined measure for success for meeting KPI and goals, that you hold staff to, and make sure every one understands what is required of them.

### **ABOUT JCE HARVEY CONSULTING**

JCE Harvey Consulting is a minority owned and operated consulting and staffing firm specializing in quality, process and operations consulting. We strive to provide excellence of service, through innovative intervention that focuses on areas of opportunity and growth. Through development of customized solutions, we have helped companies save millions, while improving efficiency and bottom line. Our consultants have done work for companies ranging from Fortune 500s, Governmental municipalities and non-profits.

To learn more, visit us at  
[www.jceharvey.com](http://www.jceharvey.com)