

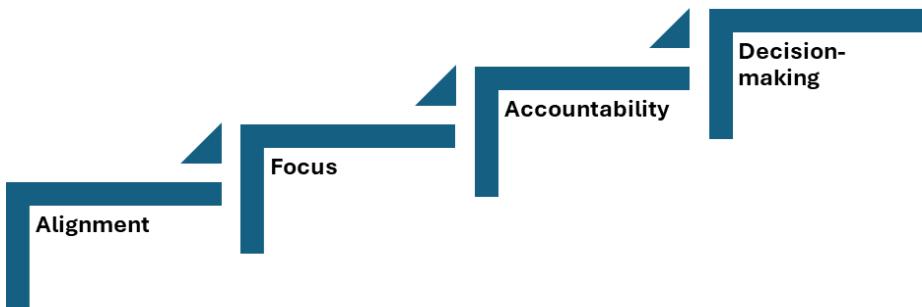
Key Performance Indicators (KPIs): Measuring What Matters

What are KPIs?

Key Performance Indicators (KPIs) are measurable values that show how effectively an organization, process, or individual is achieving defined objectives. In supply chain management, KPIs translate strategy into numbers, turning abstract goals like “improve efficiency” into tangible measures such as forecast accuracy or on-time delivery.

Why Do We Use KPIs?

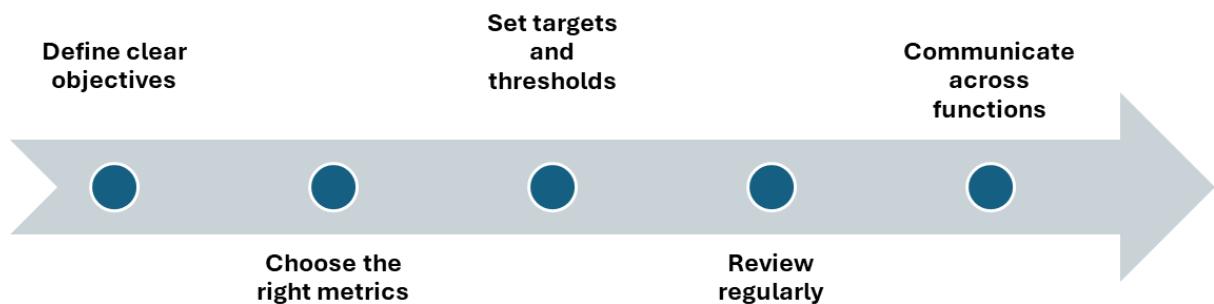
- **Alignment** – Connect daily operations with strategic business goals.
- **Focus** – Highlight what truly matters for success.
- **Accountability** – Make performance visible and measurable.
- **Decision-making** – Provide data-driven insights for improvements.



How to Use KPIs Effectively

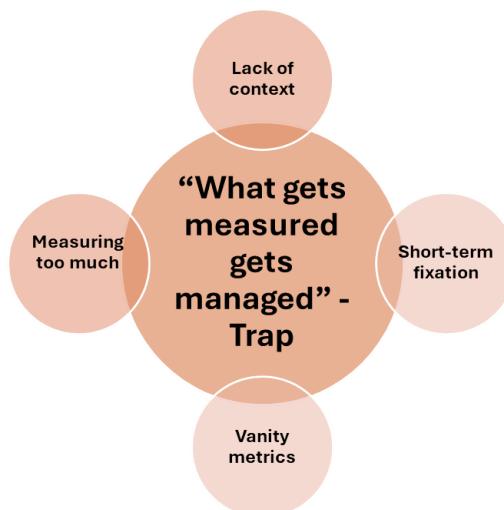
1. **Define clear objectives** – Start with business goals, then link KPIs to them.
2. **Choose the right metrics** – Less is more; focus on 5–10 meaningful KPIs.
3. **Set targets and thresholds** – Establish benchmarks for success.

4. **Review regularly** – Track performance consistently and adjust when needed.
5. **Communicate across functions** – Ensure stakeholders understand what the numbers mean.



The Fallacies of KPIs

- **Measuring too much** – Too many KPIs dilute focus and create noise.
- **Vanity metrics** – Tracking numbers that look good but drive no decisions.
- **Short-term fixation** – Ignoring long-term improvements for quick wins.
- **Lack of context** – Data without benchmarks or root cause analysis misleads.
- **“What gets measured gets managed” trap** – Teams may game the system to hit targets instead of driving real improvement.



Conclusion

KPIs are powerful tools, but they are only as valuable as the thinking behind them. The right KPIs align strategy with execution, empower teams to act on facts, and guide continuous improvement. The wrong KPIs, or too many, create false certainty and wasted effort. The key is to measure what matters most.

References

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4. McKinsey – Unlocking the Power of Data in Performance Management
5. Gartner – Avoid KPI Overload in Supply Chain Performance Measurement