

ASA LEARNING SERIES 2020

Goals versus KPIs

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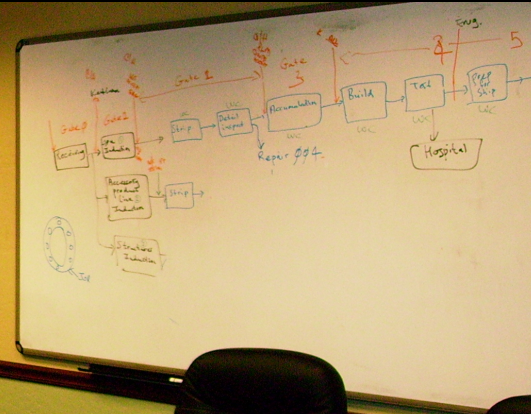
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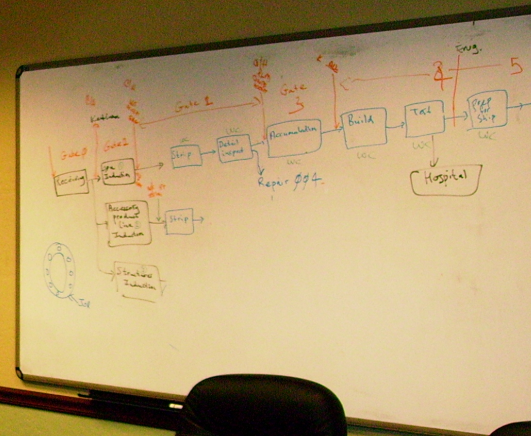
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The difference between Goals and KPIs

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So, what is a goal?

ISO9000, 3.7.1, **objective**

result to be achieved

- Note 1 to entry: An **objective** can be strategic, tactical, or operational.
- Note 2 to entry: **Objectives** can relate to different disciplines (such as financial, health and safety, and environmental objectives) and can apply at different levels (such as strategic, organization (3.2.1)-wide, **project** (3.4.2), **product** (3.7.6) and **process** (3.4.1)).
- Note 3 to entry: An **objective** can be expressed in other ways, e.g. as an intended outcome, a purpose, an operational criterion, as a quality objective (3.7.2) or **by the use of other words with similar meaning** (e.g. aim, **goal**, or target).

So, what is a Key Performance Indicator (KPI)?

AS9101F definition, 3.2:

Measures *associated with goals or targets* showing how well an organization is achieving its *objectives* or critical success factors for a particular *project*. *KPIs* are used to objectively define a *quantifiable and measurable* indication of the organization's *progress towards achieving its goals*.

- **NOTE: KPIs relating to an organization's financial performance are not in the scope of the 9101 standard;** however, economic measures (e.g., sales quotas, scrap value reduction) can be considered acceptable measures for process improvement.

So, what is a Metric

A **metric** is simply something you measure:

- Attendance - counts - # stock pulls - # of shipments

KPIs measure **rates** or **ratios** and are linked to a performance **objective (goal)**:

- Attendance per week
- counts per hour
- # stock pulls per shift
- # of shipments per day

The difference between Goals and KPIs

Goals and KPIs are sometimes used interchangeably to describe the same thing;

- Namely, what you need to measure and report to see whether or not you are reaching your desirable outcome of your actions.
- **Goals**: The desired final outcome.
- **KPIs**: **Key** metrics **indicating** whether your **performance** is good enough to **achieve your goals**.

Note: ISO9000, 3.7.8, defines “**performance**” as a measurable result.



Let's look at the use of goals and KPIs for a typical company..

Example:

The company want to increase sales from \$1MM to \$1.24MM this year.

To achieve this, top management wants to acquire 12 new customers this year to account for the desired sales growth:

- How many goals are there? ____2____
 1. Increase sales by \$240K, and
 2. Add 12 new customers
- How many KPIs are there? ____0____

Example: The company want to increase sales from \$1MM to \$1.24MM this year.

Increase sales by \$240K, & add 12 new customers

So, after the 1st Quarter (Jan-Mar):

- What is the expected number of new customers, so far? Not defined
- What is the expected increase in sales? Not defined

A few questions:

- What is the relationship between a new customer and the sales they contribute? Unknown
- When is a customer counted as a customer?
 - When they issue an RFQ or when they actually place a PO? Unknown
 - When they place a PO or when they pay? Unknown
- Is it reasonable to think all new customers will generate an equal share of sales volume? No
- Is it reasonable to think all sales booked in Q1 are invoiced in Q1? No

So, what can help?...

So, what can help?..... KPIs

Relevant Key performance indicators (**KPIs**) are used to measure (metrics) an ongoing activity with the purpose of maximizing the likelihood of achieving the **goal** for that activity.

Goals are not KPIs

This company wants to add \$124K in sales, so they assumed their goal was their KPI – **but it's not!**

- Goals are typically ***laggers*** – they **lag** behind real-time activity.
- This company will never know if they will ever meet their goal - - - **until it's too late!**

KPIs should be established to:

- (1) transform financial goals into operational goals, and then
- (2) define KPIs for the company processes that measure and track process performance in meeting their specific process objectives.

These KPIs should measure each **process** and should be linked to the **corporate goal** but not be the corporate goal.

Example: Goals are not KPIs

For example, for the sales *process* they might want to measure:

- The # of new customers/month;
- % of prospective customers contacted who submitted RFQs;
- % of RFQs that resulted in Sales (quote/Sales Ratio);
- Average Sales/customer ratio

Again, these KPIs measure the sales *process* and should be linked to the **corporate goal** but not be the corporate goal.

Some examples of KPIs for sales processes

- Customer retention
- Cost per order
- Cost per customer
- Mix of products
- Number of sales leads
- Prospects-to customer ratio
- How many proposals get signed off
- Performance of different marketing activities (e. g. advertising, online marketing, conferences, F2F)
- Sales turnover for new customers
- Profit per customer vs sales per customer
- \$\$\$ per sale
- Average sales per customer per year

Some examples of KPIs for operations processes

- Time spent from order to delivery
- Error rate
- Stock on shelf (min/max levels)
- Customers coming back with problems
- Number of complaints related to operations
- Customer feedback related to operations
- How many reworks
- Average time to pick & Pull an order
- Lost time due to work-flow stoppage
- OSHA-reportable incidents per year.

Brainstorm - Goals

What QMS **Goals** are required by the ISO9001 or AQMS Standard and not by the company (you!)?

On time delivery (OTD)
Product/service conformity

These are system-level goals, not process goals

Remember, these goals are required by the Standard and not the company

Product/service conformity stated:

AS9100: 6 times

AS9110: 6 times

AS9120: 6 times

ASA-100: 1 times

On time delivery:

AS9100: 5 times

AS9110: 5 times

AS9120: 5 times

ASA-100: 0 times

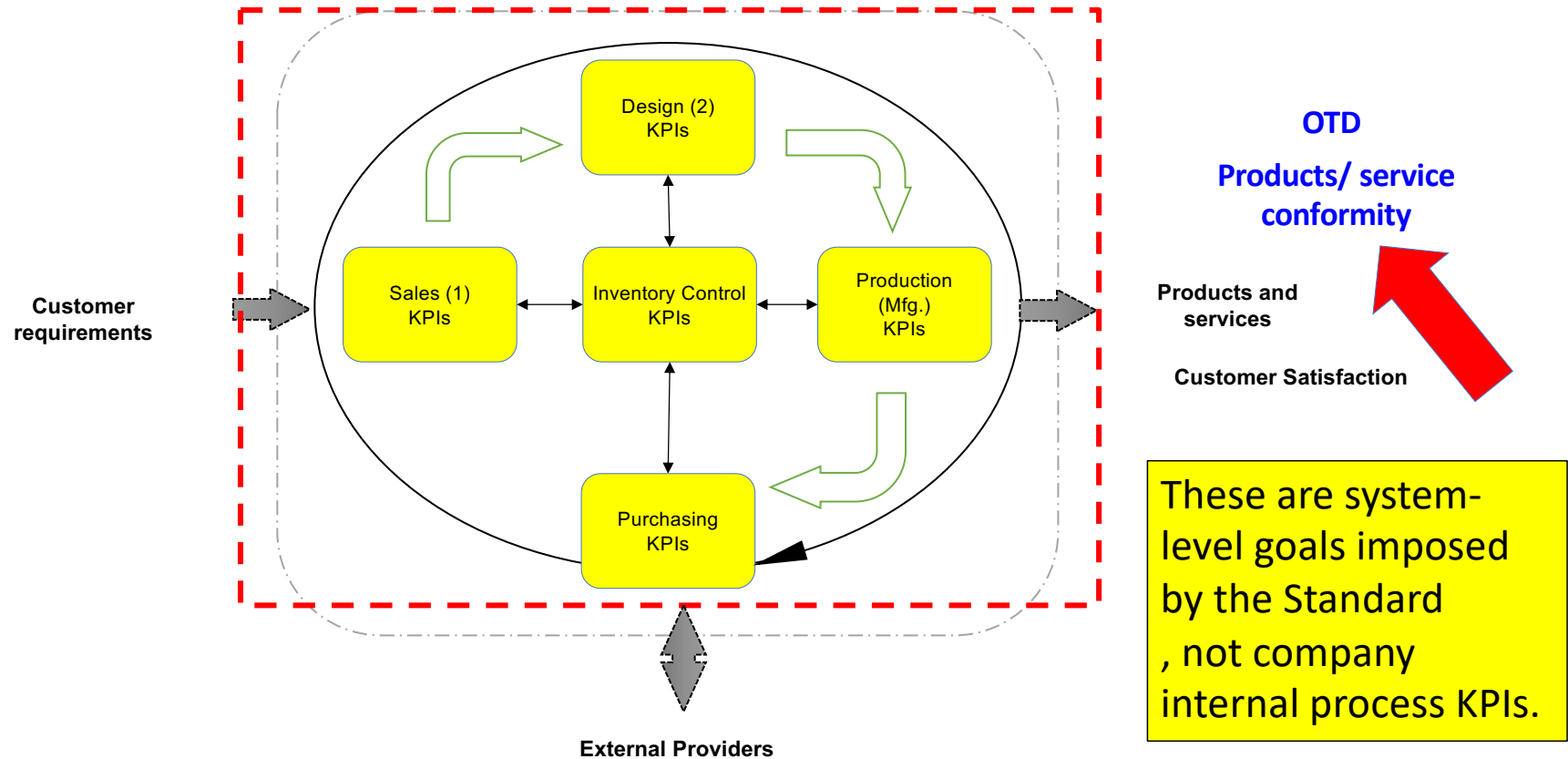
QMS Goals are required by the Standard and not the company

- **AS91XX: Clause 5.1.2, Customer Focus**
 - d. *product and service conformity* and *on-time delivery performance* are measured and appropriate action is taken if planned results are not, or will not be, achieved.
- **AS91XX: Clause 8.1 Operational Planning and Control**
 - c. determining the resources needed to achieve conformity to the *product and service requirements* and to meet *on-time delivery of products and services*;
- **AS91XX: Clause 8.4.1.1 *The organization shall:***
 - c. *periodically review external provider performance including process, product and service conformity, and on-time delivery performance*;

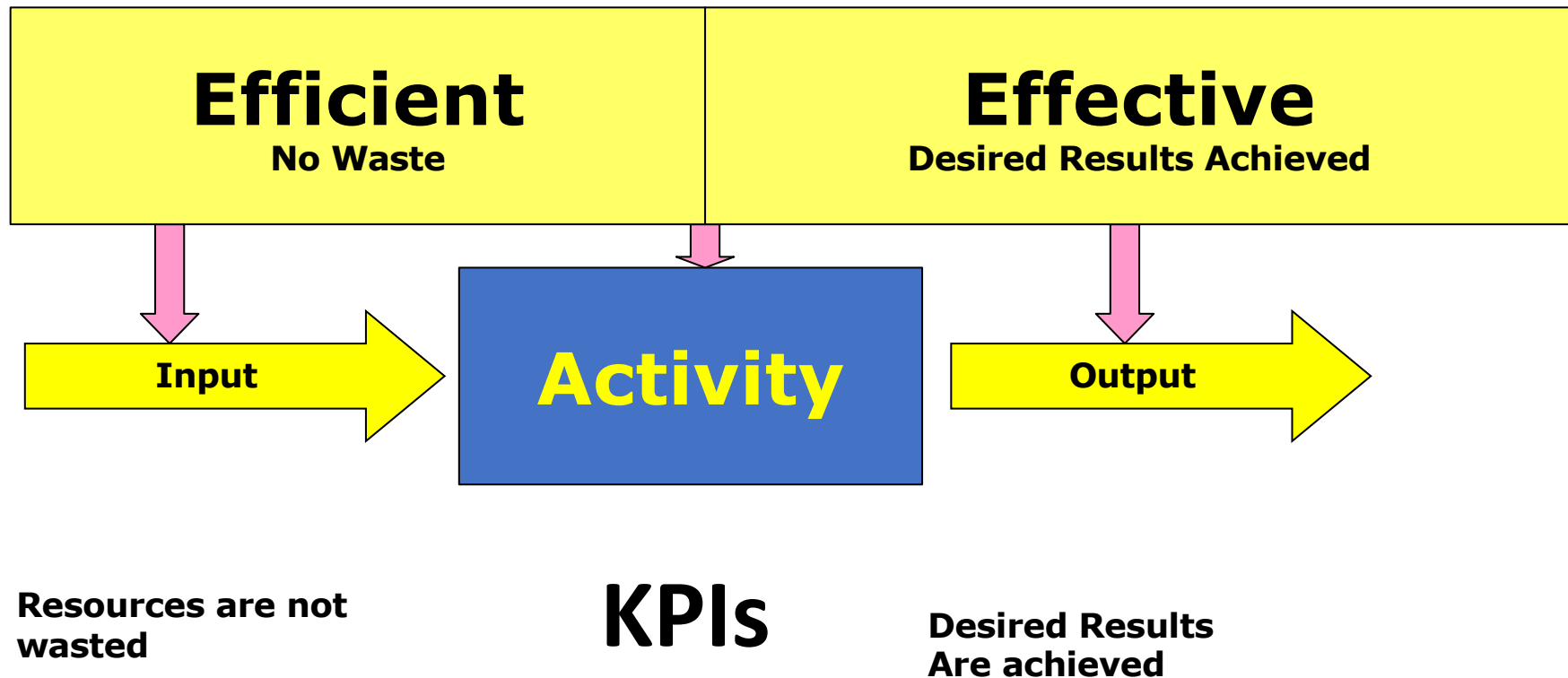
QMS Goals that are required by the Standard and not the company

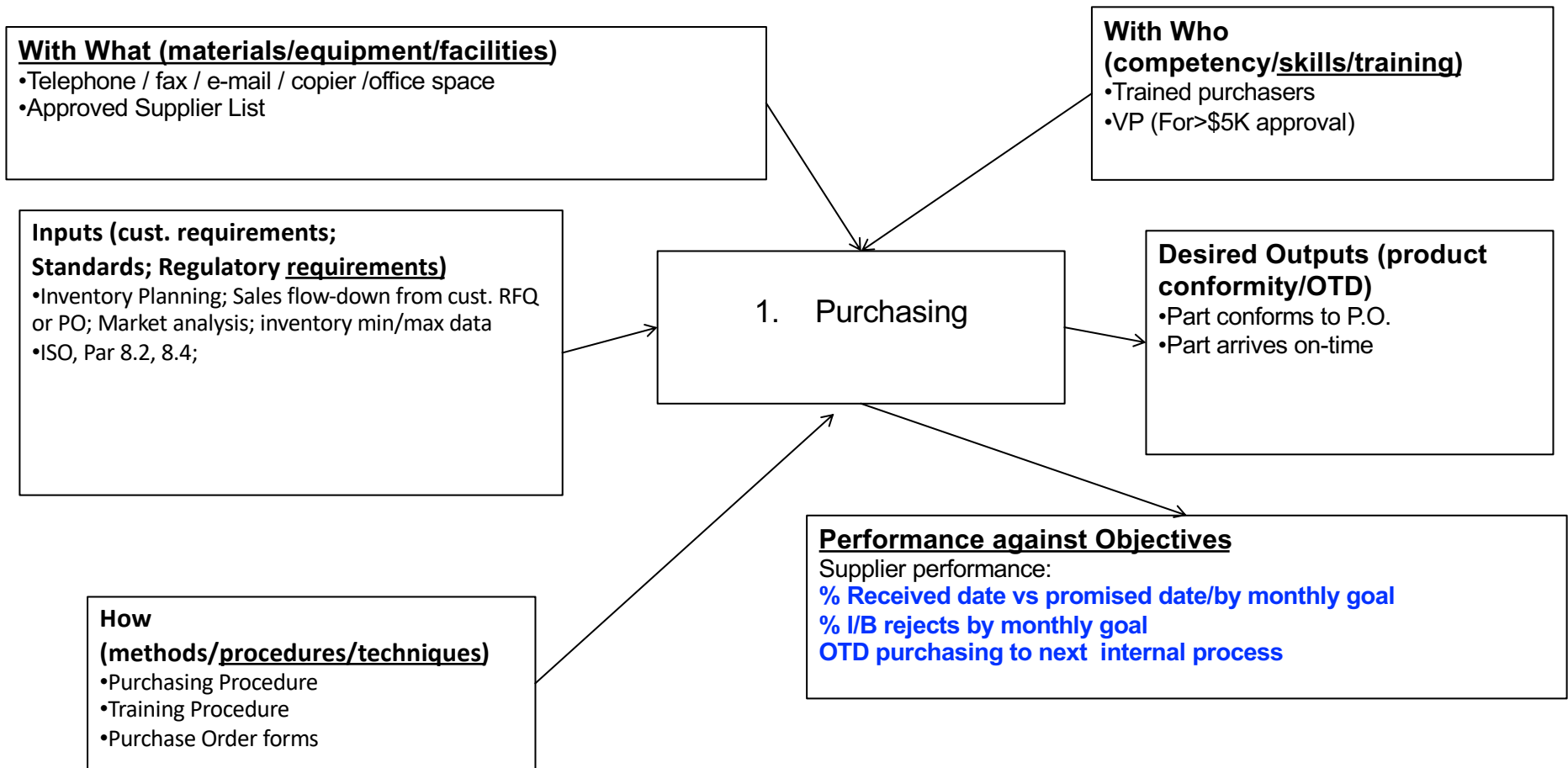
- **AS91XX 9.1.2 Customer Satisfaction**
 - *Information to be monitored and used for the evaluation of customer satisfaction shall include, but is not limited to, **product and service conformity, on-time delivery performance**, customer complaints, and corrective action requests. The organization shall develop and implement plans for customer satisfaction improvement that address deficiencies identified by these evaluations, and assess the effectiveness of the results.*
- **AS91XX 9.3.2 Management Review Inputs ,**
 - 8. **on-time delivery performance**
- **AS9110: Clause 8.2.2d. operational risks** (e.g., ability and capacity to **deliver on time**) have been identified.
- **ASA-100: Clause 1. Quality System and Quality Manual**
 - A. The distributor shall have an established quality system adequate **to assure a quality product that complies with customer specification.**

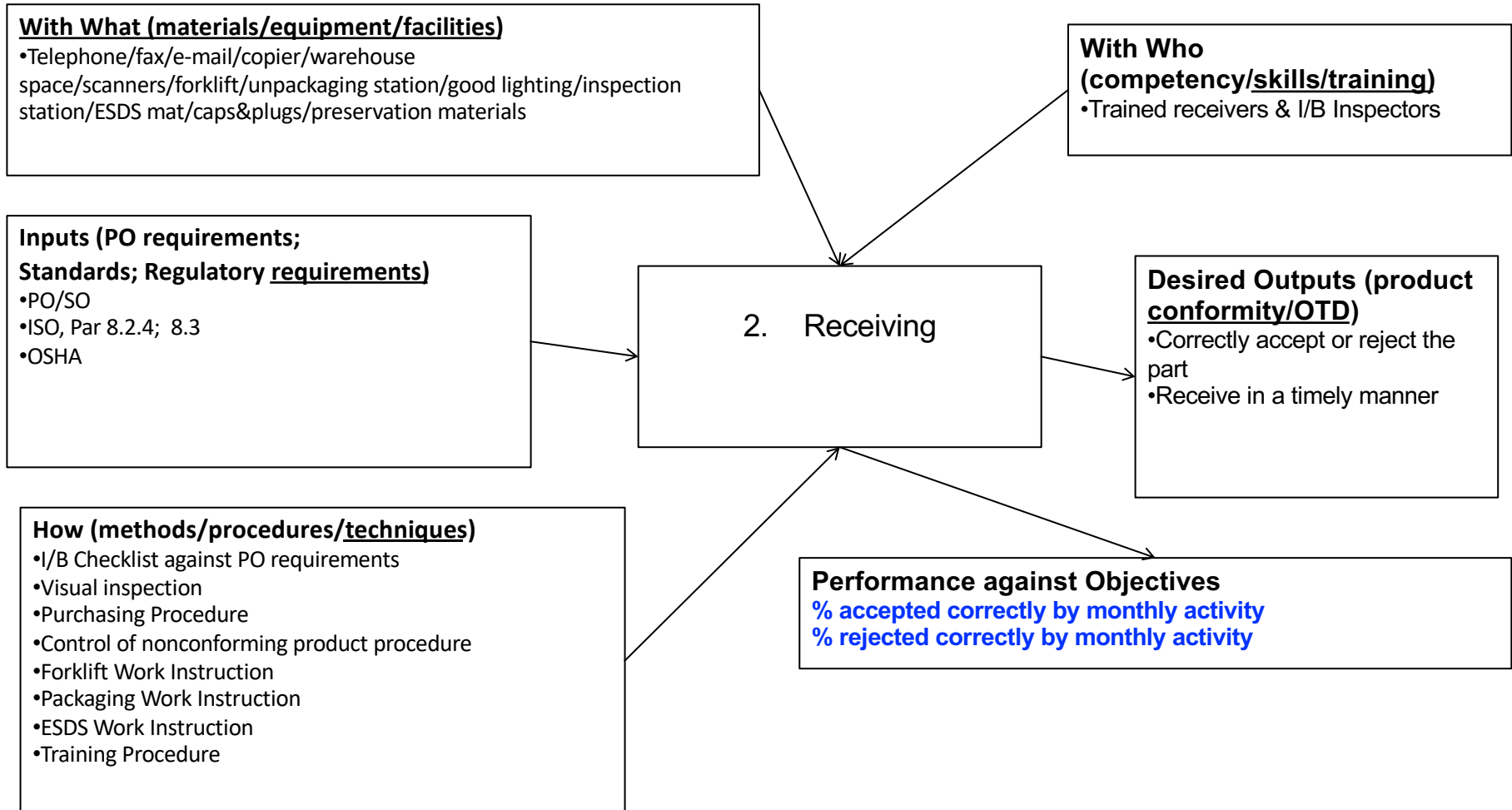
Typical Company Processes



How is a Process Measured?







With What (materials/equipment/facilities)

- Telephone/fax/e-mail/copier / warehouse space/scanners /forklift/preservation station/good lighting/caps&plugs/preservation materials/boxes/ foaming station / barcode reader/printer

With Who (competency/skills/training)

- Trained inventory personnel

Inputs (PO requirements; Standards; Regulatory requirements)

- Stocking Sheet
- ISO, Par 8.1; 8.5.1
- OSHA

3. Inventory Control

Desired Outputs (product conformity/OTD)

- Place part in correct Bin location
- ID part with correct barcode label
- Inventory in a timely manner

How (methods/procedures/techniques)

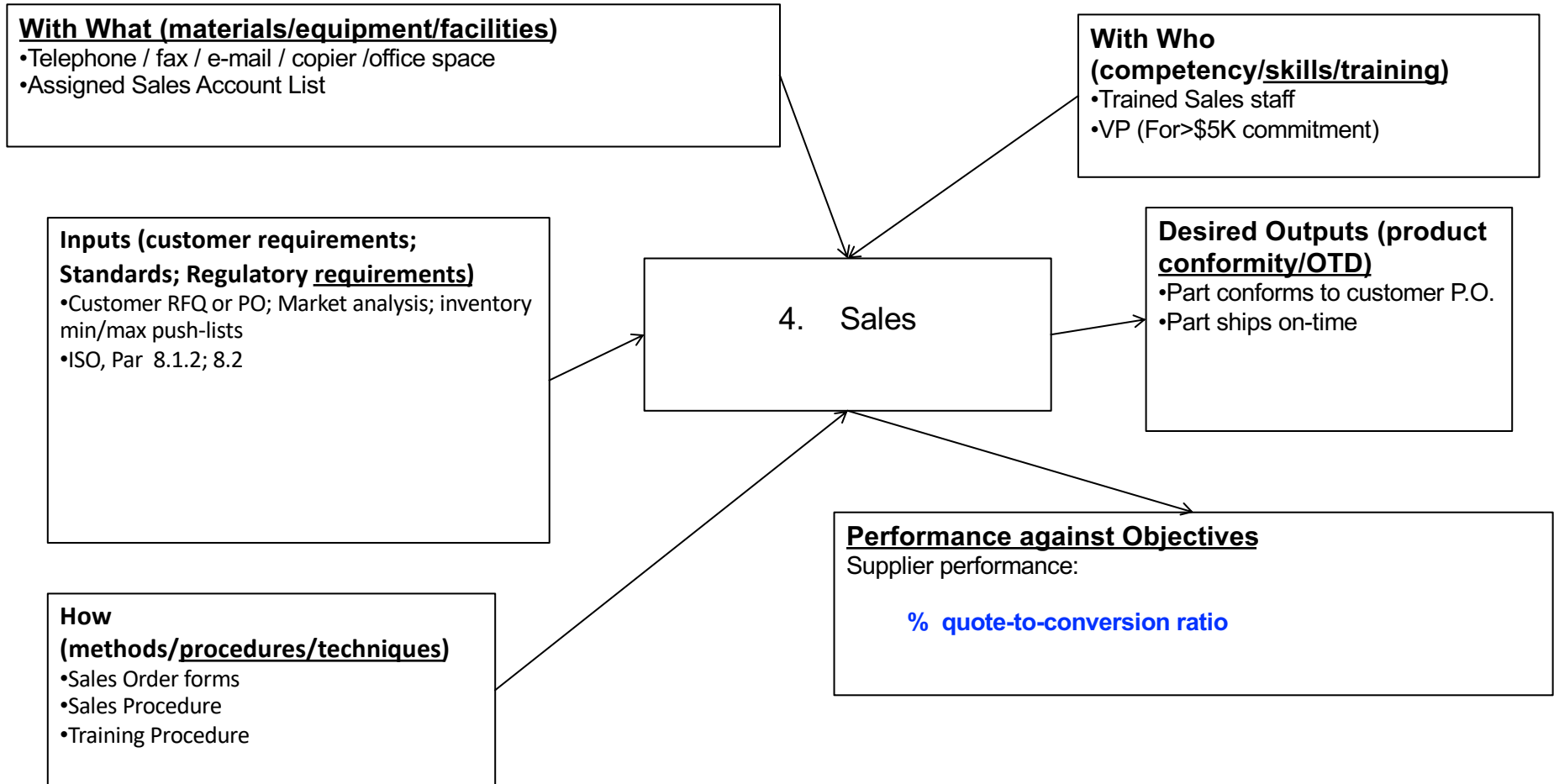
- Inventory Procedure
- Pick-ticket Form
- barcode label
- Control of nonconforming product procedure
- Forklift Work Instruction
- Packaging Work Instruction
- ESDS Work Instruction
- Training Procedure

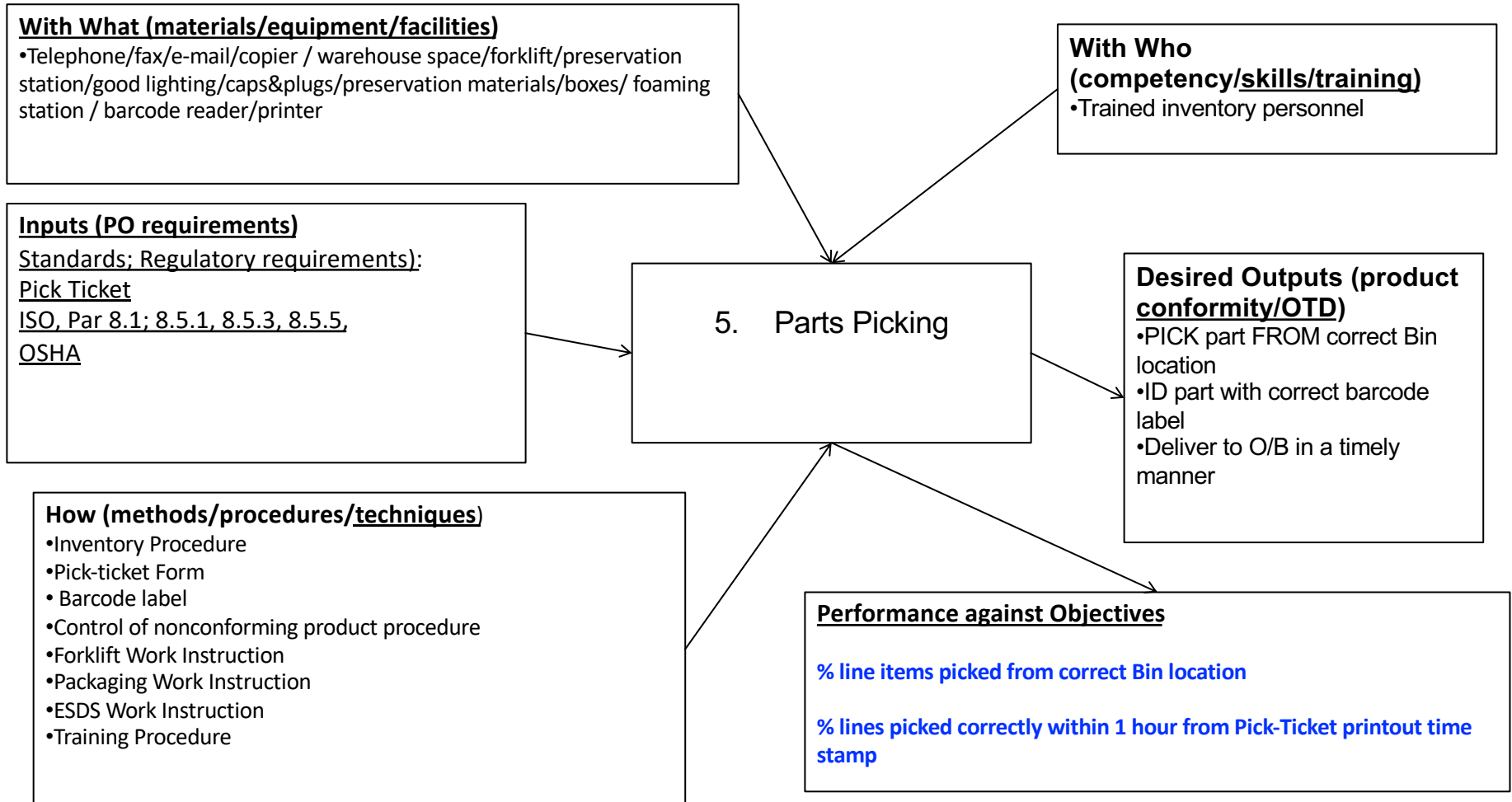
Performance against Objectives

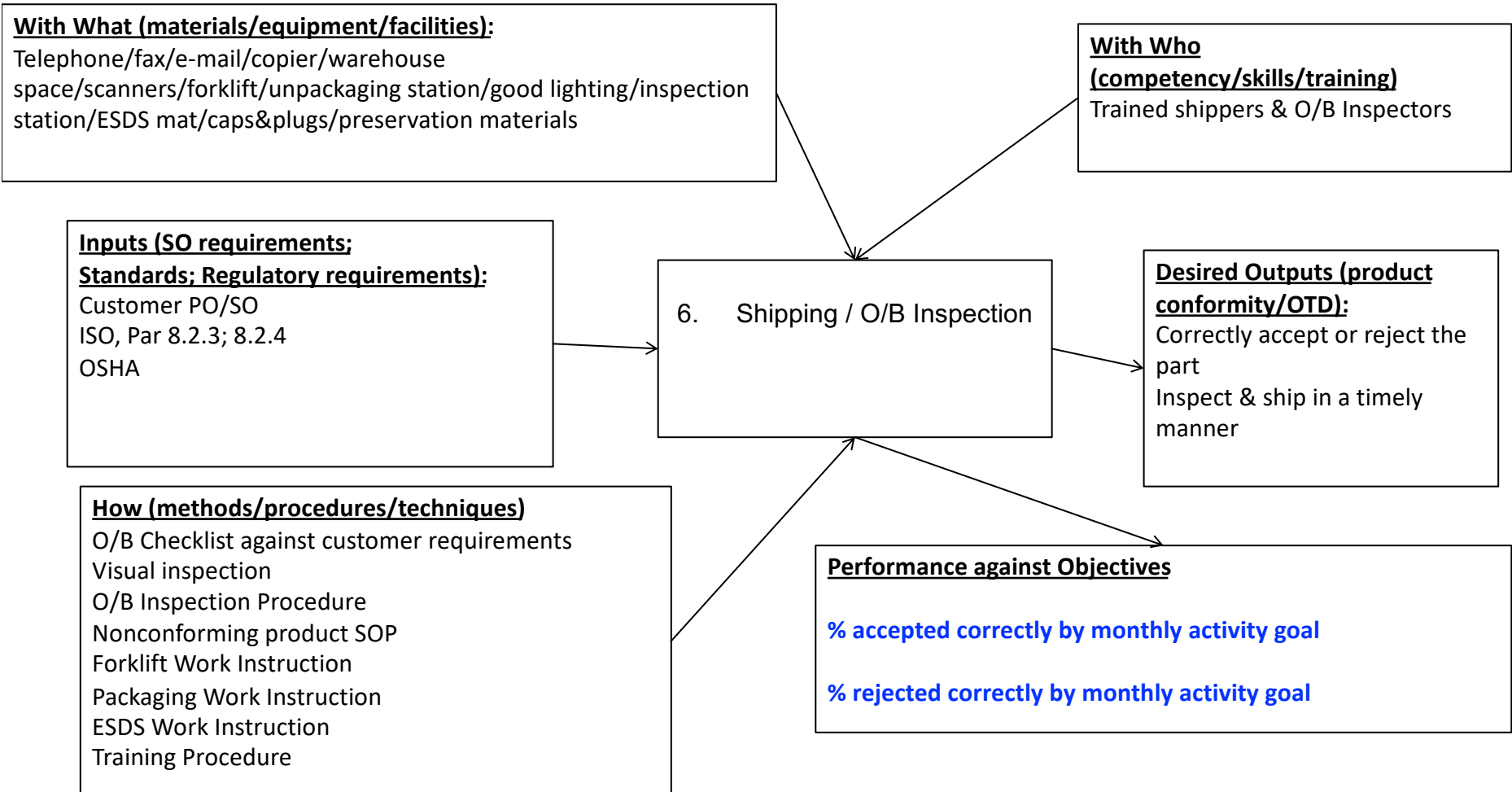
% line items placed in correct Bin location

100% lines inventoried within each 24-hour shift-change checked quarterly during inventory cycle-audit

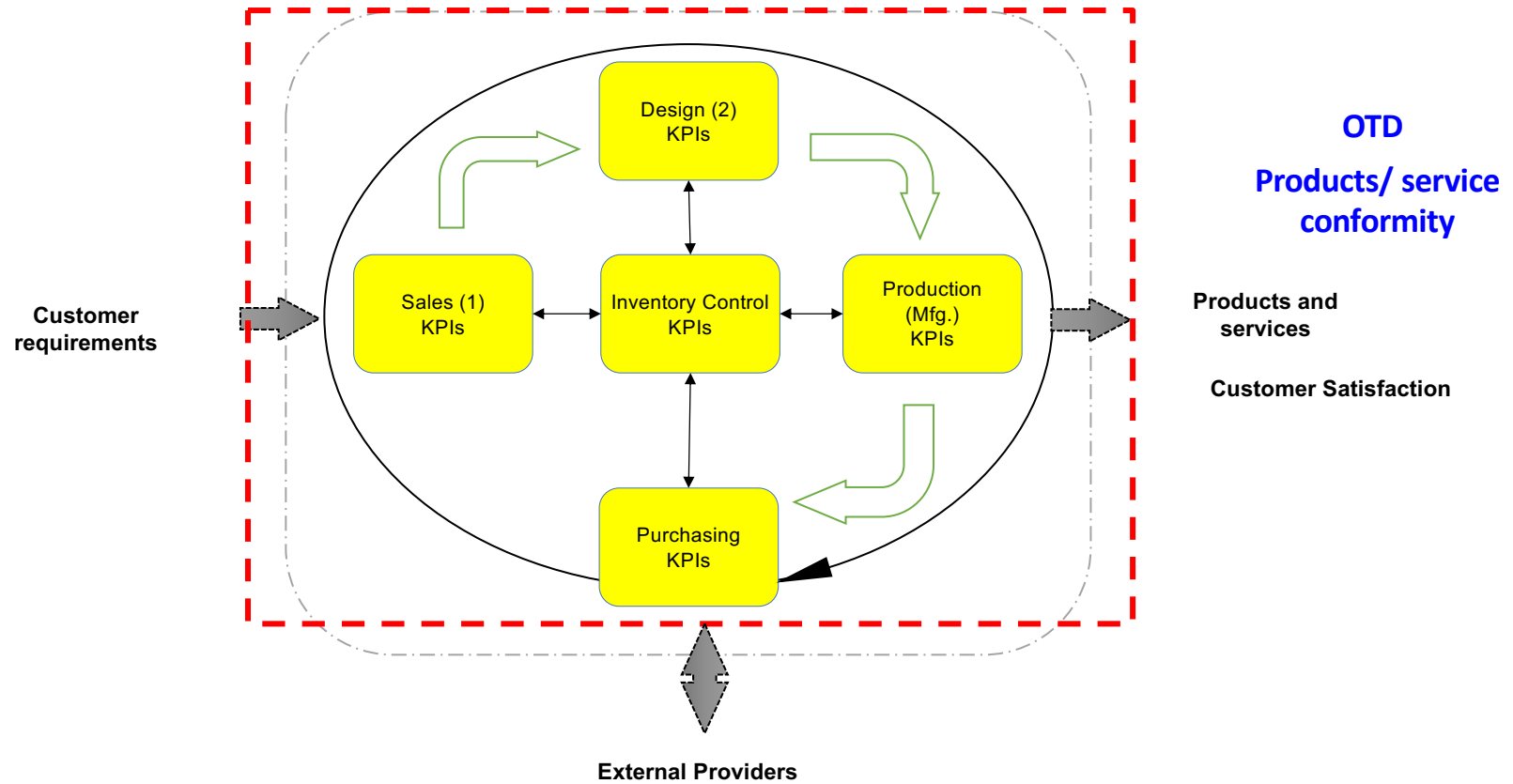
% rejected correctly by monthly activity







Your KPIs should measure and drive your Processes



Knowledge Check

(for ISO9001 and AS91XX)

(1) Who defines KPIs for an organization's processes?

Answer: [The organization.](#)

(2) When are the organization's processes first assessed by your registrar (CB) as being appropriate?

Answer: [During the Stage-1 audit, Ref: ISO 4.4.1 \(c\).](#)

(3) Does the CB-auditor assess the organization's KPIs as being appropriate for their processes? If yes, when?

Answer: [Yes. During the Stage-1 \(compliance with ISO 4.4.1 \(c\) and evidence of readiness for the Stage-2. If they are not, this should be listed as an "Area of Concern" in the Stage-1 Audit Report.](#)

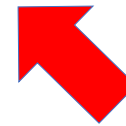
(4) If the organization's KPIs are not shown to be appropriate and effective, should an NCR be raised?

Answer: [Yes. Ref: Clause 4.4.1 \(c\).](#)

AS91XX, 4.4.1 Quality Management System and Its Processes

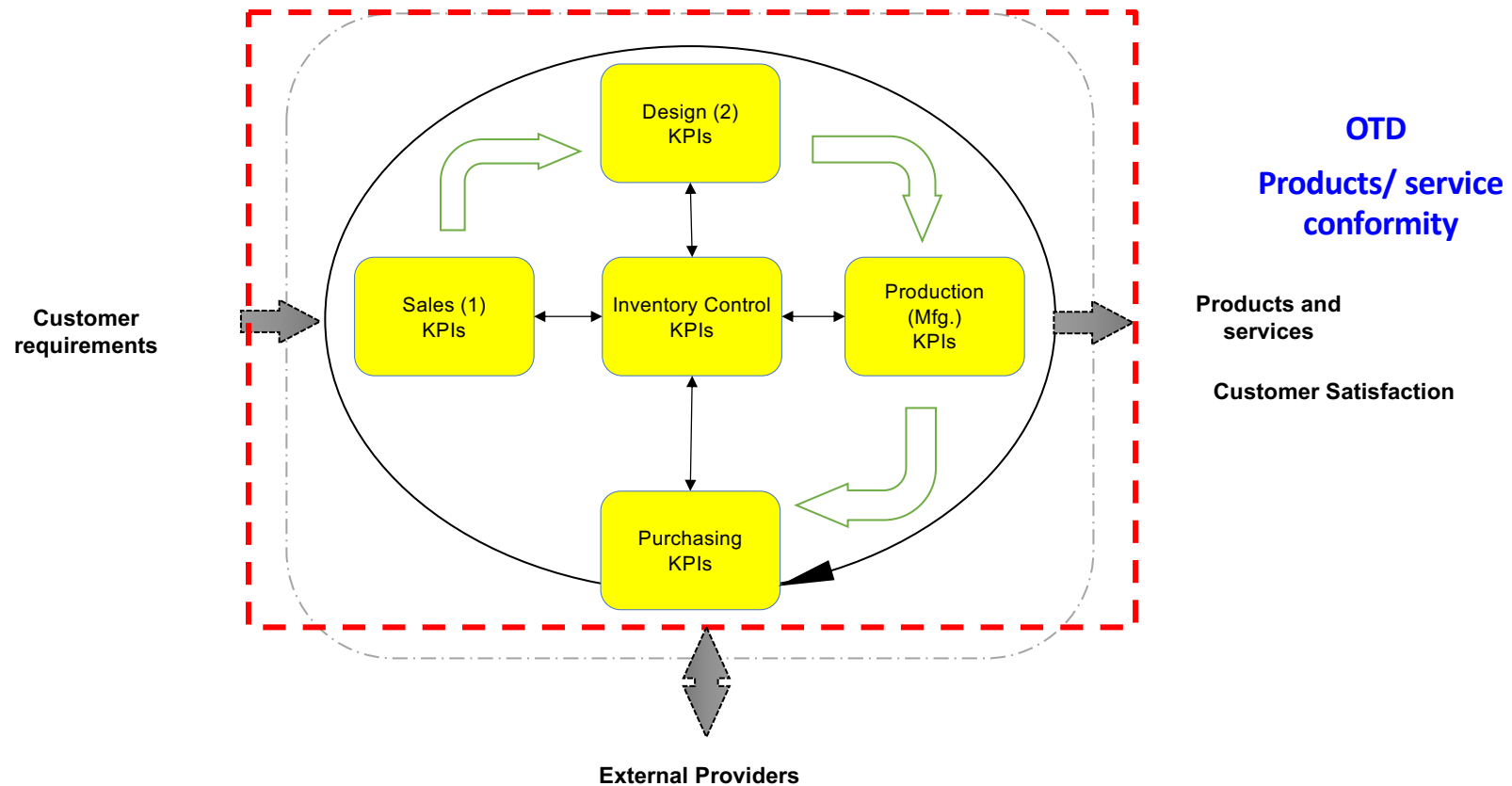
The organization shall determine the **processes** needed for the quality management system and their application **throughout the organization**, and shall:

- a. determine the **inputs** required and the **outputs** expected from these processes;
- b. determine the **sequence and interaction** of these processes;
- c. determine and apply the **criteria and methods** (including monitoring, measurements **and related performance indicators**) needed to ensure the effective operation and control of these processes;
- d. through h....



This describes both a Turtle and a PEAR!!!

In Summary.... You control your business success!
Goals and KPIs, when used properly can give you the visibility you need.



Thanks for attending!
and remember...

“To stop learning.... is to stop living.”

QUESTIONS

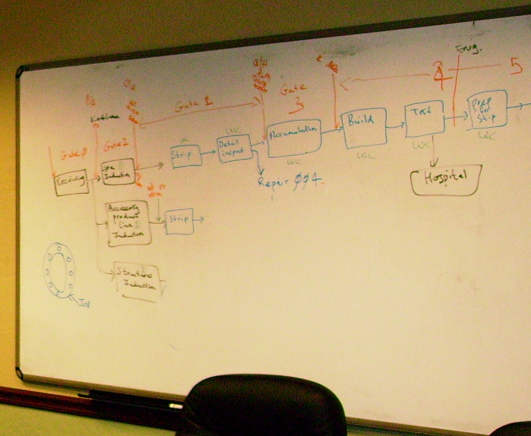




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