



MADE TO
MEASURE
KPIs

TALK SUMMARY · BERNIE SMITH, MADE TO MEASURE KPIs

Two tools for choosing the right KPIs and knowing when they've really moved

How KPI Trees and XmR Smart Charts help finance leaders guide the whole organisation on what to measure, even outside their own specialism.

! A 20-point yield gain, and a very angry phone call

Ben's team of technicians, operators and scientists at a large packaging manufacturer set out to improve a blown-film line: fewer bubble collapses and tighter control of film thickness (the *gauge*), so that more of every tonne of resin became saleable product. They did a superb job: **material yield rose by around 20 percentage points**.

Then the divisional finance director rang Ben, shouting. The business was **sales-constrained**, the ideal case for chasing yield, because every franc, euro or pound saved on resin drops straight through. But nobody passed the lower material requirement back to **procurement** or the **warehouse**. Deliveries carried on as booked, the warehouse filled up, working capital ballooned, and a triumph became a tirade.

1 KPI Trees: from outcome to what you can control

A **KPI Tree** takes a top-level outcome and breaks it down, layer by layer, until you reach something you can measure and directly influence. Most large organisations chase six outcomes: **profit** (while staying solvent), **growth**, **innovation**, **managing risk**, **legal and compliance**, and **ESG**. The tree opposite follows two branches under profit. You lead the process; the specialists around you supply the process knowledge.

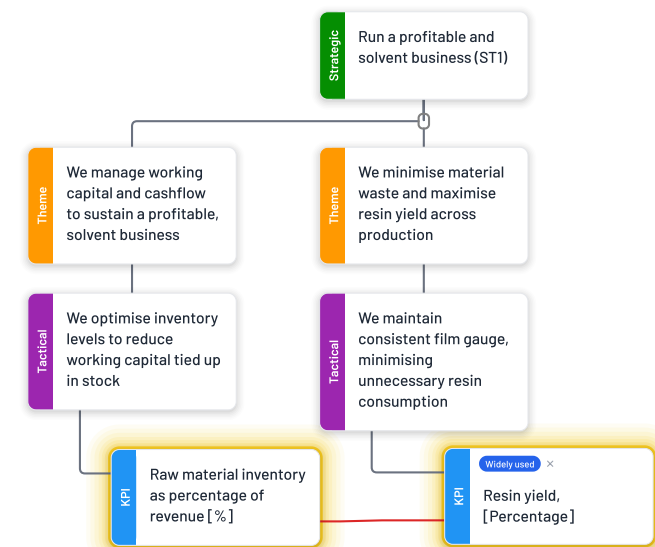
A full tree can reach **800 to 1,000 candidate KPIs**, so **shortlist** them: score each for **importance** and **practicality**, and the list typically shrinks by 75 to 80%. Building the tree together also exposes the interactions Ben's business missed: the red line opposite. Resin yield and raw material stock sit on different branches, but move together.

The finance leader's challenge

You are expert in finance. Nobody is expert in every corner of the business, yet the whole organisation still looks to finance for guidance on **what to measure**.

How do you choose the right KPIs outside your own expertise, and know where to focus attention?

PACKAGING KPI TREE: TWO BRANCHES, ONE INTERACTION



Highlighted: resin yield and raw material inventory, joined by the red interaction line. Improve one and the other moves, which is what nobody told the warehouse.

Built with KPI Tree Studio (AI-assisted trees, definition management, Smart Charts module soon). Delegate offer, **7-day free trial, no credit card:** kpitree.studio/?trial=CONNECTIONS26

! Why the triumph became a tirade, and how to avoid your own

- **See the interactions.** A tree built with the team shows that resin yield drives material demand, stock and working capital, before the gain lands.
- **Set the trip-wires.** A Smart Chart on stock or working capital would have signalled the shift months before the warehouse ran out of room.
- **Manage by exception.** You cannot run a complex organisation on six KPIs. Go into the detail, but let the charts tell you where to look.

2 XmR Smart Charts: sit in the web and wait for the vibration

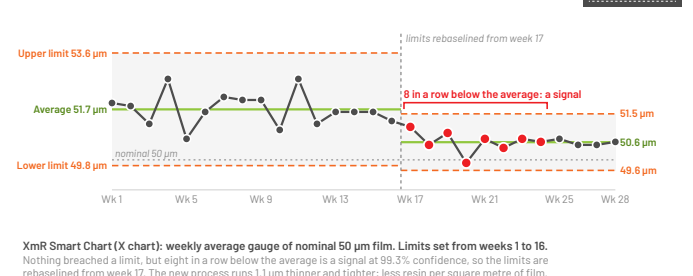
A spider doesn't run around its web looking for prey. It waits in the middle for a vibration that tells it where something has landed and how big it is. Smart Charts let you manage that way. A century ago **Walter Shewhart** created a statistical rule set, still woefully underused outside manufacturing, that separates **natural variability** from a **real signal**.

One reading tells you nothing; by five to eight you can tell. Apply the **Western Electric rules** and you are **99.3% confident** when the chart says performance has changed. You already see them at work in the stock market and in the Apple Fitness app's step chart. XmR is the workhorse of a **family of Smart Charts**.

➔ Free resources at madetomeasurekpis.com

- Ultimate KPI Tree Guide
- Three essential KPI tree examples
- KPI tree templates and starter pack
- ROKS: the seven-step KPI method
- Ultimate XmR SmartChart Guide
- Free KPI shortlisting matrix
- Free KPI definition template
- How many KPIs should you have?

FILM GAUGE: A SHORT RUN, THEN A REBASELINE



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