

Operations KPI Framework

Twelve key performance indicators (KPIs) with consistent definitions and a regular review process to identify issues and agree on actions.

Client Larkfield Distribution Co.	Practice Data, Analytics & Performance Management	Duration 6 weeks	Sponsor Chief Operating Officer
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THE CHALLENGE

Leadership received more than 40 operating metrics each month, but definitions differed across the four distribution centers. On-time shipment had three definitions in use, preventing consistent comparison and obscuring differences in service performance.

On-time shipment rate: self-reported versus the common definition

SITE	REPORTED (OWN DEFINITION)	COMMON DEFINITION	STATUS AGAINST 98% TARGET
DC 1	98.9%	97.4%	▲ At risk
DC 2	98.4%	95.1%	■ Off track
DC 3	99.2%	98.6%	● On track
DC 4	98.1%	93.8%	■ Off track

Baseline quarter. Every site reported 98% or better by its own measure; under one definition, two sites fall below 96%.

THE FRAMEWORK

The proposed framework contains 12 KPIs across service, productivity, quality, and cost. Each measure has a defined calculation, accountable owner, source system, and target. Most measures draw on the warehouse management system (WMS).

AREA	KPI	DEFINITION	SOURCE	TARGET
Service	On-time shipment rate	Eligible orders first shipped by the promised shipment date ÷ eligible orders first shipped	WMS	98%
	Order fill rate	Units shipped ÷ units ordered	WMS	99%
	Dock-to-stock time	Median hours from receipt to available inventory	WMS	24 hours
Productivity	Units picked per labor hour	Units picked ÷ direct picking hours	WMS, timekeeping	Set by site
	Truck turnaround time	Median minutes from gate-in to gate-out	Yard system	90 minutes
	Labor plan attainment	Actual hours ÷ planned hours for volume shipped	Timekeeping	95-105%

AREA	KPI	DEFINITION	SOURCE	TARGET
Quality	Order accuracy	Orders without picking or shipping error ÷ orders shipped	WMS, claims log	99.7%
	Inventory record accuracy	Counted locations matching the system ÷ locations counted	WMS	99.5%
	Damage rate	Damage claims per 10,000 units shipped	Claims log	1.5 or fewer
Cost	Cost per order shipped	Site operating cost ÷ orders shipped	Finance	Budget
	Overtime share	Overtime hours ÷ total hours worked	Timekeeping	8% or less
	Space utilization	Occupied pallet positions ÷ total positions	WMS	80-88%

SAMPLE DEFINITION CARD

FIELD	ON-TIME SHIPMENT RATE
Purpose	Measures whether the first shipment of an eligible order occurs on or before the promised shipment date.
Formula	Eligible orders first shipped on or before the promised shipment date ÷ all eligible orders first shipped during the reporting period, expressed as a percentage
Includes	Eligible customer orders (all customer orders except the exclusions below), with partial orders counted at their first shipment
Excludes	Orders on customer-requested hold; orders the customer cancels before the ship date
Owner and source	VP Operations; warehouse management system shipment table
Thresholds	● 98% or higher ▲ 96% to below 98% ■ Below 96%
Reporting and review frequency	Daily at site level; reviewed weekly by site leaders and monthly by the steering group

DATA READINESS

Nine of the 12 KPIs can be produced from existing systems. Three require data or process changes before routine reporting:

- **Dock-to-stock time:** two sites do not record putaway timestamps consistently. Scanner workflow change planned.
- **Damage rate:** claims are tracked in email. A shared claims log replaces it this quarter.
- **Labor plan attainment:** labor plans live in local spreadsheets. A common planning template is in place from next month.

PERFORMANCE REVIEW SCHEDULE

FORUM	FREQUENCY	KPIS REVIEWED	OUTPUT
Site operations review	Weekly, 30 minutes	Service and productivity	Actions for the coming week
Leadership performance review	Monthly, 60 minutes	All 12, exceptions first	Decisions and actions recorded with owners and tracked to completion
Target review	Quarterly	All 12	Targets confirmed or reset