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Question: 1

Which of the following statements doesn't represent a KPI reporting data source?

- A. Surveys
- B. Enterprise Resource Planning (ERP) software
- C. Operational reports
- D. Competitors' annual reports

Answer: D

Explanation:

KPI reporting data sources are where your organization obtains its own performance data for calculation and reporting. Surveys, ERP systems, and operational reports are common internal/primary sources that provide measurable inputs for KPIs (customer ratings, transaction volumes, cycle times, cost data, etc.). Competitors' annual reports are typically used for secondary research and benchmarking, not as a data source for reporting your organization's KPI results. They may inform target-setting or provide reference ranges, but they do not supply your internal operational data. This distinction matters in KPI selection and activation: a KPI is only sustainable if its data can be collected consistently, with clear ownership and adequate quality. A frequent pitfall is selecting KPIs that depend on external information that is not timely, not comparable, or not within your control. Competitor reports are published infrequently and use different definitions, making them unsuitable for regular KPI reporting. They are valuable as context for strategy, but KPI reporting should be grounded in auditable sources tied to your own systems and processes.

Question: 2

Which of the following types of graphs are recommended for visualizing performance results?

- A. Pie charts
- B. Spaghetti charts
- C. Bar charts
- D. 3D graphs

Answer: C

Explanation:

Bar charts are widely recommended for performance reporting because they make comparisons clear: across categories (teams, sites, products), against targets, or between time periods. They are easy to read, work well in dashboards, and help stakeholders quickly identify gaps and priorities. Pie charts often obscure differences unless there are very few categories and large contrasts; they are poor for comparing small changes over time. "Spaghetti charts" (multiple overlapping lines) can become

cluttered and reduce interpretability, especially for executives who need fast insights. 3D graphs are commonly discouraged because they distort perception and can mislead readers due to perspective effects. In KPI governance, visualization is part of enabling consistent decision-making: the goal is not decoration but clarity—showing status vs target, trend direction, and variance. A strong bar chart design also uses consistent scales, minimal color palette (often with RAG thresholds), and avoids unnecessary labels. When selecting visuals for scorecards and dashboards, prioritize formats that reduce cognitive load and help people act on the data.

Question: 3

Which value driver will influence “Service quality index”?

- A. Orders processed per day
- B. Staff trained (%)
- C. None of the answers
- D. Backlog orders (#)

Answer: C

Question: 4

Which is the calculation formula for “On-time arrivals (%)”?

- A. $[(B - A) / B] * 100$, where A = # On-time arrivals and B = # Arrivals
- B. $(A / B) * 100$, where A = # On-time arrivals and B = # Arrivals
- C. None of the answers
- D. $(A_1 + A_2 + \dots + A_n) / n$, where A = trip completion time (days) and n = # Trips completed

Answer: B

Explanation:

“On-time arrivals (%)” is a classic ratio KPI : the number of arrivals that met the on-time definition divided by total arrivals, multiplied by 100. Option B matches that structure directly: $(\text{on-time arrivals} / \text{total arrivals}) \times 100$. Option A calculates the complement (late arrivals as a percentage), not on-time arrivals. Option D is an average duration calculation, which is a different type of measure (cycle time) and not an on-time percentage. A key measurement challenge is defining “on-time” precisely—e.g., arrival within 5 minutes of schedule, or within a contractual window. The KPI documentation should specify: time window, inclusion/exclusion rules (canceled trips, rescheduled arrivals), time source (system timestamp vs manual entry), and how partial data is handled. Without consistent definitions, the KPI becomes easy to dispute and hard to improve. This KPI is also sensitive to data accuracy (clock sync, GPS timestamps), so activation should include data validation checks and ownership for corrections.

Question: 5

Which metrics are used for calculating “Capacity utilized (%)”?

- A. A = Capacity utilized (%)
- B. A = Capacity utilized (#); B = Capacity available (#)
- C. A = Capacity utilized (#); B = Capacity needed (#)
- D. A = Capacity planned (#); B = Capacity (#)

Answer: B

Explanation:

“Capacity utilized (%)” is calculated as utilized capacity divided by available capacity, expressed as a percentage. Option B provides the correct numerator and denominator structure using measurable quantities: A = amount of capacity actually used (hours, units, seats, machine time) and B = total capacity available for use during the period. Option C compares utilized to “needed,” which is demand-oriented and would produce a different concept (coverage or fulfillment vs demand). Option D is ambiguous and does not clearly distinguish planned vs available capacity. Option A is circular (it restates the KPI rather than defining inputs). Measurement challenges include defining “available capacity” (scheduled capacity, staffed capacity, theoretical maximum) and ensuring consistent units. This KPI is often used as an efficiency indicator, but it can create negative behaviors if pushed too high (overload, burnout, maintenance deferral). Good practice is to pair it with quality and reliability measures (defect rate, downtime, employee engagement) and to define target ranges rather than “maximize at all costs.” Proper documentation prevents misinterpretation and makes the KPI usable for planning decisions.

Question: 6

Which of the following statements are secondary research sources as part of the KPI selection process?

- A. Front-line employees’ input
- B. Competitors’ annual reports
- C. None of the answers
- D. Supplier focus groups

Answer: B

Explanation:

Secondary research refers to information gathered indirectly from existing sources—reports, publications, databases, benchmarks—rather than directly from interviews, workshops, or surveys you conduct. Competitors’ annual reports are a classic secondary source, because they are publicly available documents that can provide insight into industry metrics, strategic priorities, performance themes, and sometimes disclosed KPIs. Front-line employees’ input is primary research (direct stakeholder engagement). Supplier focus groups are also primary research because you are collecting information firsthand through facilitated discussion. In KPI selection, secondary sources help you understand typical measures used in the sector, set realistic reference points, and identify what “good” can look like—but they must be adapted to your strategy and operating model. A pitfall is blindly copying competitor KPIs without ensuring relevance, controllability, and data feasibility. Secondary sources are best used to

inform options and benchmarking, then validated through internal workshops and operational reality checks (data availability, ownership, measurement cost). This combination improves both strategic alignment and practical implementability.

Question: 7

Fill in the blank word: Tunnel behavior means looking after the achievement of own targets, _____ consideration of the implications for other areas in the organization.

- A. In
- B. For
- C. With
- D. Without

Answer: D

Explanation:

Tunnel behavior refers to optimizing one's own targets without considering impacts on other parts of the organization. It is a common risk when KPIs are narrowly defined, overly incentivized, or not balanced across outcomes and drivers. For example, a team measured only on speed might cut corners that increase errors for another team downstream, shifting workload rather than improving end-to-end performance. Addressing tunnel behavior is a core KPI measurement challenge: it requires selecting a balanced set of KPIs (efficiency + quality + customer outcomes), aligning goals across functions, and designing incentives carefully. Governance practices also help: cross-functional KPI reviews, shared outcome KPIs, and clear escalation when local optimization harms system performance. In KPI activation, documentation should include the purpose and potential unintended behaviors, plus recommended balancing KPIs. Leaders should reinforce that KPIs are tools for improving overall value delivery—not just hitting local numbers. Recognizing and preventing tunnel behavior is essential for sustainable performance improvement and for maintaining trust in KPI systems.

Question: 8

In which stage of the Value Flow Analysis should "Budget (\$)" be allocated?

- A. Input
- B. Outcome
- C. Process
- D. Output

Answer: A

Explanation:

In Value Flow Analysis, inputs are the resources invested to enable work to happen—money, people, time, tools, and materials. A budget is a financial resource allocated upfront (or periodically) to fund operations and initiatives, so it belongs in the Input stage. Outputs are what the process produces (e.g., number of completed services), the process stage focuses on how work is performed (cycle time,

rework, utilization), and outcomes reflect the results achieved (customer satisfaction, retention, safety outcomes). Placing budget in “Input” supports a clear line of sight: inputs → process performance → outputs → outcomes . This structure helps teams design balanced dashboards: if outcomes are poor, you can assess whether input levels are sufficient, whether processes are inefficient, or whether outputs are misaligned with customer needs. A common selection mistake is treating budget itself as a KPI; the KPI is usually something like budget variance, cost per unit, or ROI—budget is the resource baseline. Mapping budget correctly in Value Flow Analysis improves planning, accountability, and performance analysis.

Question: 9

Which KPI is suitable for balancing “Net profit (\$)”?

- A. Cash flow (\$)
- B. None of the answers
- C. Budget variance (%)
- D. Improve profitability

Answer: A

Explanation:

Net profit is an accounting-based outcome KPI and can be influenced by non-cash items (accruals, depreciation, revenue recognition timing). A strong balancing KPI is cash flow , because it ensures profitability improvements are translating into real liquidity and financial resilience. Organizations can report profits while facing cash constraints (e.g., high receivables, inventory buildup, delayed collections), so cash flow provides a critical guardrail. “Budget variance (%)” is useful for cost control and planning discipline, but it is not as fundamental a balance to profit as cash generation. “Improve profitability” is an objective, not a KPI. “None of the answers” is incorrect because cash flow is a classic balancing metric for profit. Measurement challenges include ensuring consistent cash flow definition (operating cash flow vs free cash flow) and separating one-time movements from underlying performance. In scorecards, net profit and cash flow together prevent over-optimizing accounting outcomes (e.g., delaying necessary spend) and help leadership make sustainable growth decisions.

Question: 10

Which of the following KPIs will influence “Service backlog (#)”?

- A. Service lead time (# / time)
- B. Revenue (\$)
- C. Service complaints responded to (%)
- D. Productivity

Answer: A

Explanation:

A service backlog is the volume of pending work not yet completed. The most direct operational KPI among the options that influences backlog is service lead time (how long it takes to complete a service request from initiation to closure). When lead time increases, work stays open longer, and the backlog tends to grow unless intake demand falls. Conversely, reducing lead time (through better scheduling, capacity planning, process improvements, or fewer reworks) helps clear work faster and prevents backlog accumulation. Revenue is typically an outcome financial KPI and does not directly control queue volume. "Service complaints responded to (%)" reflects responsiveness to complaints; it may improve satisfaction but does not necessarily reduce total pending service volume. "Productivity" is too vague as written (it needs a clear formula, e.g., jobs completed per technician per day) and therefore is less defensible than a specific cycle-time measure. In KPI systems, backlog is usually balanced with capacity and flow KPIs (arrival rate, completion rate, lead time). Measurement challenges include consistent definitions of "open" vs "closed," and ensuring timestamps are accurate to avoid distorted lead-time and backlog analysis.

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